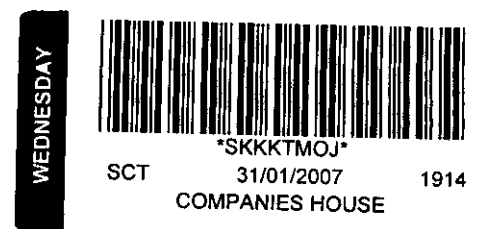


SC 216638

# Report and Accounts

for the year ended 30 September 2006



Standard Life European Private Equity Trust PLC

## Contents

Objective & Company Summary	1
Financial Summary	2
Chairman's Statement	3
Manager's Review	5
Historical Summary	11
Fund Investments	12
Ten Largest Fund Investments	14
Top 30 Underlying Investments	16
Board of Directors	18
Directors' Report	19
Directors' Remuneration Report	24
Statement of Directors' Responsibilities	25
Independent Auditors' Report	26
<i>Financial Statements</i>	
Income Statement	27
Reconciliation of Movements in Shareholders' Funds	28
Balance Sheet	29
Cashflow Statement	30
Notes to the Accounts	31
Information for Investors & Financial Calendar	42
Notice of Meeting	43
Form of Proxy	45
Corporate Information	Inside back cover

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To achieve long-term capital gains through investment in a diversified portfolio of private equity funds investing predominantly in Europe.

## Company Summary

<b>Investment Manager</b>	Standard Life Investments (Private Equity) Limited
<b>Shareholders' funds</b>	£289.8 million as at 30 September 2006
<b>Market capitalisation</b>	£292.0 million as at 30 September 2006
<b>Capital structure</b>	<p>159,150,000 ordinary shares of 0.2p each</p> <p>Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held</p> <p>35,000,000 founder shares of 0.2p each</p> <p>The founder shares do not carry any right to vote, except in the case of changes to class rights</p> <p>The founder shares confer rights to convert into a maximum of 10% of the ordinary share capital subject to certain performance conditions. The first measurement date for conversion was 30 September 2006 and 4,854,979 founder A shares are now convertible into an equivalent number of ordinary shares. Further details are given on pages 18 and 19</p>
<b>Management fee</b>	<p>0.8% per annum of the net assets of the Company</p> <p>The notice period is one year</p>
<b>Company secretarial and administration fee</b>	<p>£74,237 (index linked) plus 0.035% per annum of the net assets in excess of £100 million</p> <p>The notice period is three months</p>
<b>ISA status</b>	The Company's ordinary shares are eligible for Individual Savings Accounts (ISAs)
<b>AIC membership</b>	The Company is a member of The Association of Investment Companies
<b>Investment policy</b>	The Company will not invest more than 15% of its gross assets in other listed investment companies (including investment trusts)

# Financial Summary

Performance	30 September 2006	30 September 2005	Launch 29 May 2001
Capital return			
Net asset value per ordinary share <sup>(1)</sup>	182 1p	143 5p	98 7p
Share price	183 5p	156 2p	100 0p
FTSE All-Share Index <sup>(2)</sup>	3,050 4	2,745 8	2,852 7
MSCI Europe Index (in Sterling) <sup>(2)</sup>	921 1	816 7	851 3

Performance percentage change	Year to 30 September 2006 %	Since launch %
Capital return		
Net asset value per ordinary share <sup>(1)</sup>	26 9	84 5
Share price	17 4	83 5
FTSE All-Share Index <sup>(2)</sup>	11 1	6 9
MSCI Europe Index (in Sterling) <sup>(2)</sup>	12 8	8 2

Income returns, premium and expense ratio	30 September 2006	30 September 2005
Basic revenue return per ordinary share <sup>(3)</sup>	3 05p	2 32p
Declared dividend per ordinary share	2 40p	1 80p
Premium (difference between share price and net asset value) <sup>(1)</sup>	0 8%	8 9%
Expense ratio		
as a % of average shareholders' funds	1 01%	1 04%

Highs/Lows	High	Low
Share price (mid)	187 0p	156 0p

<sup>(1)</sup> The figures for 2005 have been restated to reflect the changes to accounting policies (see note 1)

<sup>(2)</sup> The Company has no defined benchmark, the indices above are solely for comparative purposes

<sup>(3)</sup> The allocation of the management fee and finance costs between the revenue and capital accounts is 10 90

## Results and performance

The Company's net asset value per ordinary share ("NAV") has again grown strongly, increasing by 26.9% to 182.1p for the year ended 30 September 2006. This was due primarily to the generally improving macro economic environment across most of continental Europe, robust trading at many of the underlying investee companies and the strong European private equity market. As at 30 September 2006 the Company's net assets were £289.8 million (30 September 2005 £228.3 million).

The closing mid market price of the Company's ordinary shares on 30 September 2006 was 183.5p (30 September 2005 – 156.2p), an increase of 17.4% over the year. Throughout the year the Company's shares traded at a premium to the disclosed NAV.

It is now more than five years since the Company was listed in May 2001. Although it has no defined benchmark, the Company's NAV and share price have both materially outperformed the two most relevant stock market indices over this period, increasing by 84.5% and 83.5% respectively, compared to rises of 6.9% in the FTSE All Share Index and 8.2% in the MSCI Europe Index (sterling adjusted).

The income received by the Company during the year leads the Board to recommend a final dividend of 2.4p per ordinary share, an increase of 33.3% on the 1.8p final dividend declared for the previous financial year. Subject to shareholder approval, this dividend will be paid on 7 February 2007 to shareholders on the Company's share register as at 5 January 2007.

## Valuation

The value of the Company's portfolio of 43 private equity fund interests rose over the year through a combination of net new investment activity and unrealised gains. As at 30 September 2006 the value of the portfolio was

£239.3 million (30 September 2005 £186.6 million), of which unrealised gains arising during the year were £16.6 million (year ended 30 September 2005 £16.6 million). Reflecting this strong performance, 62.6% by value of the Company's private equity fund interests reported unrealised gains.

Aggregate cash and money market balances rose to £52.1 million as at 30 September 2006 (30 September 2005 £42.5 million). A large proportion of the increase occurred in the final quarter of the Company's financial year and resulted from some exceptional full and partial realisations of underlying investments. The strong flow of distributions during the year was largely offset by an increase in the amount of draw downs as the Company's new fund commitments rose. At the period end 82.1% of the Company's gross assets (30 September 2005 – 81.4%) was invested in private equity assets. This proportion remains high, relative to the Company's peer group, and supports the Manager's policy of maximising invested assets through an over-commitment strategy.

Exchange rates had a marginally negative impact on NAV over the year, as sterling appreciated by 0.5% relative to the euro and 5.6% relative to the US dollar. As at 30 September 2006 the Company had £291.6 million of gross assets, of which £166.0 million (sterling equivalent) comprised euro denominated assets and £46.5 million (sterling equivalent) dollar denominated assets (30 September 2005 £229.3 million, £126.7 million and £44.7 million respectively).

## Investment activity

2006 is on course to be another record year for private equity investment in Europe. Deal flow and new investment activity for the private equity managers of the funds in the Company's portfolio has remained strong, helped by a growing number and value of investment opportunities. A total of £75.3 million of draw

Scott Dobbie CBE

downs was funded by the Company during the year ended 30 September 2006 (year ended 30 September 2005 £59.1 million). This was the highest amount drawn in any year since the Company's listing.

As regards cash receipts, the Company received a record £90.3 million of distributions during the year (year ended 30 September 2005 £85.0 million). The significant realisation activity was driven by the private equity, debt, and mergers and acquisitions markets, enhanced, in the case of the Company, by the attractive maturity profile of the underlying investments. Of the distributions received, £45.2 million represented net realised gains and £5.9 million was income (year ended 30 September 2005 £40.5 million and £5.1 million respectively). It is pleasing to note that the average return on the Company's acquisition cost of realised investments again exceeded two times, being 2.3 times (year ended 30 September 2005 – 2.2 times).

Underlining the active fund raising environment for private equity, the Company made six new fund commitments totalling £180.2 million during the year and made an additional fund commitment of £20.3 million to Candover 2005 Fund. The six new fund commitments were

- £27.1 million to 3i Eurofund V,
- £40.7 million to Charterhouse VIII,
- £48.2 million to Fourth Cinven Fund,
- £20.3 million to HgCapital 5,
- £30.5 million to Permira IV, and
- £13.4 million to TowerBrook Investors II

# Chairman's Statement

All of the above funds are buy-out funds and are predominantly focused on Europe, with the exception of TowerBrook Investors II, which will invest both in Europe and North America

Given these new fund commitments, aggregate outstanding commitments rose to £307.7 million as at 30 September 2006 (30 September 2005: £184.8 million). These commitments can be expected to be drawn down over the next 3-4 years and will be funded from the Company's existing cash and money market holdings, distributions received from the Company's portfolio of private equity fund investments and, if necessary, the use of bank borrowings. As at 30 September 2006 the Company's £40 million committed revolving credit facility with The Royal Bank of Scotland plc remained undrawn. The Company is currently renewing and will increase this facility to reflect the increase in scale both of its investment portfolio and fund commitments.

## Founder A Shares

The performance period for the founder A shares granted on listing to the Manager and the management team as an incentive arrangement came to an end on 30 September 2006. Over the period from listing to 30 September 2006 the compound annual growth rate in the Company's NAV, including dividends paid, was 12.95%. Accordingly, under the terms of the founder A shares 4,854,979 of these shares now have the right to convert into an equivalent number of ordinary shares in the Company at a conversion price of £1 per ordinary share at any time up to 31 December 2013. The impact, assuming full conversion of such founder A shares, would be to dilute the Company's NAV at 30 September 2006 by 1.4% to 179.6p.

## The Board

The decision of George Kershaw to retire from the Board following the forthcoming Annual General Meeting ("AGM") prompted a search using independent consultants for individuals whose background and experience would complement those of the existing Board members. As a result the Board has made two appointments for approval at the AGM. Clive Sherling was until recently a senior partner of Apax Partners, a prominent private equity manager, and is a past Chairman of the British Venture Capital Association. Donald Workman is an investment director in the Corporate Markets division of The Royal Bank of Scotland plc. We believe that these two appointments will add to the collective strength of the Board and commend them to shareholders. George Kershaw has made a significant contribution to the Company: the Board has particularly valued his knowledge of the investment trust movement and Stock Exchange procedures. I would like, on behalf of shareholders, to thank George for all he has done for us and wish him well for the future.

## Outlook

The Company has enjoyed an excellent year and progress has continued since the financial year end. As increasing amounts of capital flow into the asset class and as the acceptance of, and opportunities for, private equity in Europe expand, the importance of a skilled manager becomes even more critical. The Board remains confident of the Manager's ability to select and access many of the best quality private equity funds in Europe and, subject to unforeseen changes to the macro-economic and political climate, continuing NAV growth.

Scott Dobbie CBE  
*Chairman*

1 December 2006

## Investment objective and policy

The Company's primary objective is to achieve long term capital gains through investment in a diversified portfolio of private equity funds investing predominantly in Europe

The principal focus of the Company is to participate in the leading European private equity funds investing in mid to large sized buy outs. As the European private equity market has grown in the size and volume of deals done, the typical enterprise value of mid to large buy outs has risen to between €200 million and €1.65 billion (approximately £135 million – £1.12 billion sterling equivalent). This is the segment of the European private equity market which the Manager believes has offered, and will continue to offer, more attractive returns

The aim is to build a portfolio of private equity fund interests diversified by country, industry sector, maturity and size of investment. As at 30 September 2006 the Company had £239.3 million (30 September 2005 – £186.6 million) invested in a total of 43 private equity funds (30 September 2005 – 39 funds). The objective is for the portfolio to comprise around 35 "active" fund investments, this excludes funds that have recently been raised, but have not yet started investing, and funds that are close to or being wound up. The split of the portfolio by type of private equity fund is set out in the bar chart below

While the Company's investment policy is to invest in private equity funds operating predominantly in Europe, the Company has the ability to invest up to 20% of its gross assets outside Europe. At present four fund investments – Pomona Capital V, Pomona Capital VI, Colfer International Partners IV and Towerbrook Investors II – are likely to invest a majority of their capital outside Europe. These funds represent 6.1% of the Company's gross assets. It is interesting to note, however, that having raised larger funds, many of the

prominent European private equity managers are now seeing and reviewing more global investment opportunities

The Company invests only in private equity funds, but occasionally it may hold direct private equity investments or quoted securities as a result of *in specie* distributions from its portfolio of fund investments. As at 30 September 2006 the Company had no such direct holdings

Details of all of the Company's private equity fund investments, and more detailed information on the ten largest fund investments and the thirty largest underlying portfolio companies, can be found on pages 12 to 14 respectively

## Manager

The Manager of the Company is Standard Life Investments (Private Equity) Limited, which is based in Edinburgh and comprises a team of 11 investment professionals with over 160 years of combined private equity experience. This team manages approximately £2.7 billion of private equity investments on behalf of over 130 clients worldwide, including Standard Life plc ("Standard Life"). Importantly, as one of Europe's largest private equity investors, the Manager is able to invest in Europe's premier private equity funds, where access is often restricted to investors that have long term relationships with the underlying manager

Type of fund (% of 30 September valuation)

and/or can make a sizeable commitment to the fund

## European private equity market

The trends that persisted in the European private equity market throughout 2005 have continued during 2006, especially in the buy out segment of the market. During the first nine months of 2006 there was a record €118.6 billion of transactions completed across all segments, up from €93.0 billion in the comparable period in 2005, with 93.4% by value comprising buy-out transactions. The overall number of buy out transactions concluded in the first nine months of 2006 was marginally up on the same period in 2005, but importantly the number of buy outs in excess of €1.65 billion increased from seven to thirteen. This included TDC, the Danish telecoms operator, which is the largest European buy-out to date at an enterprise value of €10.2 billion. Interestingly, the small number of buy outs in excess of €1.65 billion accounted for 40.4% by value of all private equity transactions completed and is a major driver of the growth in the European market.

Mergers and acquisitions activity is continuing apace and the recent rise in financial markets and relatively benign macro-economic conditions, particularly in continental Europe, are generally favourable to sustaining a high level of private equity activity during the coming months.

# Manager's Review

Final data issued by the European Private Equity and Venture Capital Association ("EVCA") for investment activity in the European private equity market indicates that the amount of equity invested by private equity managers in 2005 was €47.0 billion, comfortably exceeding the €36.9 billion of equity invested in 2004. Buy outs accounted for 68.2% of the total amount invested. The European private equity market continues to grow strongly and, importantly, increased its penetration in countries such as France, Germany and Spain, where the volume and size of deals is increasing. The Manager has prepared an analysis of amounts invested and raised in the European private equity market over the last two four year investment cycles, which indicates that more than 90% of amounts raised by private equity funds have been invested. This suggests that an overhang of capital has not developed, a view supported by the present high level of deal activity in the market.

Investors' appetite for investment in European private equity remains strong and culminated in Permira closing the largest European buy out fund to date at €11.1 billion in the summer of 2006. Other notable fund raising initiatives completed during 2006 include 3i, Charterhouse and Cinven, who have raised €5.0 billion, €4.0 billion and €6.5 billion respectively. While fund raising in Europe in 2006 has been strong, the aggregate funds raised in the year are likely to be less than the €71.8 billion raised in 2005.

Exits and partial realisations have been helped by the strong trading performance of portfolio companies. Importantly, more companies are being sold to trade buyers, who have regained the confidence to make acquisitions and either have cash or substantial borrowing facilities to support their acquisitive ambitions. Banks are showing little inclination to rein in their lending and they continue to provide generous loan facilities for buy outs at aggressive multiples of EBITDA. The availability of debt

Table 1

Movement in net assets	Investment portfolio £'000	Cash and other net assets £'000	Total net assets £'000	NAV per ordinary share (p)
<b>Opening balance</b>	<b>186,628</b>	<b>41,720</b>	<b>228,348</b>	<b>143.5</b>
Draw downs	75,301	(75,301)	—	—
Opening value of investment realisations during the period	(39,284)	39,284	—	—
Realised gains on investments in the period		45,215	45,215	28.4
Income earned		7,446	7,446	4.7
Realised foreign exchange losses on AAA, cash & other assets		(224)	(224)	(0.2)
Fund investments wound up		(28)	(28)	—
Unrealised gains in the period at constant exchange rates	18,125	—	18,125	11.4
Impact of foreign exchange rate movement	(1,482)	(471)	(1,953)	(1.2)
Expenses, finance costs and tax incurred		(4,262)	(4,262)	(2.7)
Dividend paid		(2,865)	(2,865)	(1.8)
<b>Closing balance</b>	<b>239,288</b>	<b>50,514</b>	<b>289,802</b>	<b>182.1</b>

has been assisted by an increase in junior debt instruments supplied from other sources, such as hedge funds, CDO funds and bond issuance. This reinforces the need for private equity managers to show discipline when bidding for companies and to ensure that business plans are credible.

## Portfolio performance

As at 30 September 2006 the value of the Company's portfolio of private equity fund interests was £239.3 million (30 September 2005: £186.6 million) which, together with its money market holdings and current assets less liabilities, resulted in the Company having net assets of £289.8 million (30 September 2005: £228.3 million). This represented an NAV of 182.1p (30 September 2005: 143.5p). A breakdown of the £61.5 million movement in the Company's net assets during the year is detailed in Table 1.

Information on the valuation movements and realised gains and income for the Company's portfolio for each of the six monthly reporting periods since the Company's listing are set

out on page 11. These tables provide a useful summary of the individual movements and the underlying trends in the Company's portfolio over time.

The valuation of the Company's private equity fund interests for the year ended 30 September 2006 was carried out by the Manager and has been approved by the Board in accordance with the accounting policies set out on page 31. In undertaking the valuation the most recent valuation of each fund prepared by the relevant fund manager has been used, adjusted where necessary for subsequent cash flows. The fund valuations are generally prepared in accordance with the EVCA's and the British Venture Capital Association's ("BVCA") valuation guidelines. Revised valuation guidelines were issued by the EVCA and the BVCA at the beginning of 2005 in recognition of changes to international accounting standards. These revised guidelines require investments to be valued at "fair value", which is an estimate of the amount that an asset could be exchanged for between knowledgeable, willing parties in an arm's



length transaction. Fair value may be calculated in a number of ways and, where appropriate, applies a marketability discount. Consequently, such valuations are prepared on a relatively conservative basis and should be at a discount to comparable listed companies.

Of the 43 private equity funds in which the Company is invested, 37 of the funds, or 97.3% of the portfolio by value, were valued by their fund managers as at 30 September 2006 and 99.9% of the portfolio by value was valued no earlier than 30 June 2006. The Manager continues to believe that the use of such timely valuation information is important. In undertaking the valuation the Board did not have recourse to use its discretion, under the Company's accounting policies, to make a downward adjustment to individual fund manager's valuations.

The movement in the value of the Company's portfolio of private equity fund interests during the year was an unrealised gain of £16.6 million (year ended 30 September 2005: £16.6 million gain), comprising a £18.1 million gain at constant foreign exchange rates and a £1.5 million foreign exchange loss. The unrealised gain on the portfolio arose largely from better trading conditions and cashflow generation at many of the underlying investee companies and an uplift in comparable listed valuation multiples as financial markets rose. Details of the valuation and the cost of each respective fund interest held by the Company as at 30 September 2006 and 2005 are set out on pages 12 and 13.

During the year sterling appreciated against the euro and the US dollar by 0.5% and 5.6% respectively. The closing sterling/euro foreign exchange rate was £1/€1.4746 (30 September 2005: £1/€1.4674) and the closing sterling/dollar foreign exchange rate was £1/\$1.8680 (30 September 2005: £1/\$1.7691). The combined effect of foreign exchange movements over the year was a 1.2p reduction in NAV.

Over the period from the Company's listing to 30 September 2006, sterling has depreciated against the euro by 11.2% and appreciated against the US dollar by 31.7%. Due to the size and timing of cashflows paid to, and received from, the Company's portfolio of private equity fund interests, the net foreign exchange impact for the Company over this period has been a small gain of £1.1 million. This is equivalent to a NAV increase of 0.7p. The Manager does not believe it is appropriate for the Company to undertake any financial hedging of its foreign exchange exposure, given the irregularity in size and timing of individual cashflows to and from its fund interests.

As at 30 September 2006 the Company's aggregate cash and money market holdings were £52.1 million (30 September 2005: £42.5 million), of which £44.4 million (30 September 2005: £40.4 million) was held in AAA rated money market funds and £7.7 million (30 September 2005: £2.2 million) was held in bank deposits and cash at bank. A significant proportion of the uplift in liquid resources arose from some impressive realisations during the final quarter of the Company's financial year. The Company does seek to balance, in broad terms, the currency of its cash and money market holdings with the currency of its outstanding private equity fund commitments.

As at 30 September 2006 the Company's £40 million committed revolving credit facility with The Royal Bank of Scotland plc remained

undrawn. This facility is currently being renewed and increased.

## Distributions, gains and income

During the year ended 30 September 2006 the Company's portfolio of private equity fund interests generated aggregate distributions of £90.3 million (year ended 30 September 2005: £85.0 million), comprising net realised gains of £45.2 million (year ended 30 September 2005: £40.5 million) and income of £5.9 million (year ended 30 September 2005: £5.1 million). This was a record for the Company and builds on the record set in the previous financial year. The substantial quantum of distributions reflected the continuing strength of the European private equity, debt and European mergers and acquisitions markets. Many of the individual company realisations were at a substantial premium to the last reported valuation.

Private equity managers are using a number of differing exit routes for investments and the distributions received by the Company included proceeds from trade sales, flotations, re-capitalisations and secondary buy-outs. The average return during the year on the Company's acquisition cost of realised investments was 2.3 times (year ended 30 September 2005: 2.2 times).

Interestingly, the average return for realised investments since the Company's listing has varied from 1.2 times in the period to 30 September 2001 to in excess of 2.0 times for

Average Multiple on Investment (X)

# Manager's Review

each six month period since 31 March 2005. A bar chart showing the average return multiple per six month period is set out above. The rise in the average return multiple since 30 September 2003 can be attributed largely to the growth in the quantum of distributions received by the Company, the strength of the European mergers and acquisitions market, rising comparable valuation multiples, and the fact that many of the investments realised were acquired at attractive prices between 2001/03.

The largest distributions, gains and income, broken down by fund, received during the year ended 30 September 2006 are set out in Table 2.

## Commitments

As reported in the Chairman's Statement the Company made significant new fund commitments during the year ended 30 September 2006, with £200.5 million committed to seven funds. This follows on from an active commitment programme in the previous financial year, when £148.7 million was committed to nine funds. Details of the new fund commitments made in the year ended 30 September 2006 are set out in Table 3.

The objective remains for the Company to become fully invested on a cash basis. This requires estimates of the speed and size of distributions from investee funds, as well as projections of their rate of draw downs. Given the Company's liquid resources and the Manager's view on projected cashflows, the Company has been able to make significant new fund commitments. As at 30 September 2006 the Company had £307.7 million of outstanding fund commitments (30 September 2005: £184.8 million).

Over the period since listing the Company has made £566.9 million of new fund commitments and has paid draw downs of £268.2 million. During this time the Company's outstanding fund commitments less its liquid resources ('AAA' rated money market funds, cash and

Table 2

Largest fund distributions during the year	Aggregate distributions £m	Aggregate realised gains £m	Aggregate income received £m
Alchemy Investment Plan	13.5	5.7	2.6
CVC Europe III	9.5	6.6	0.6
Barclays Private Equity European Fund	8.1	5.0	0.1
Charterhouse VII	7.5	5.0	0.4
Third Cinven Fund	6.5	4.0	—
Duke Street Capital V Fund	6.2	2.1	0.5
Advent Global Private Equity IV	6.1	3.2	—
<b>Total of largest distributions</b>	<b>57.4</b>	<b>31.6</b>	<b>4.2</b>
<b>Total of all distributions during the year</b>	<b>90.3</b>	<b>45.2</b>	<b>5.9</b>

Table 3

New fund commitments	Commitment £m	Type of fund
3i Eurofund V	27.1	Buy-out
Candover 2005 Fund	20.3	Buy out
Charterhouse VIII	40.7	Buy-out
Fourth Cinven Fund	48.2	Buy out
HgCapital 5	20.3	Buy out
Permira IV	30.5	Buy-out
TowerBrook Investors II	13.4	Buy out
<b>Total</b>	<b>200.5</b>	

Outstanding commitments in excess of liquid assets as a percentage of NAV (%)

short term deposits), expressed as a percentage of the Company's disclosed net asset value has varied between 23.7% and 99.6%. A bar chart setting out the relevant percentages at each six monthly reporting date from listing to 30 September 2006 is set out above.

The bar chart demonstrates that the Company has been over-committed since late 2001, in line with the Manager's objective of maximising the invested assets. This over commitment strategy has allowed the Company to be one of the most fully invested of the private equity investment trusts and, consequently,

has enhanced returns to shareholders. The percentages shown in the bar chart have varied over time according to the quantum of liquid resources held by the Company, the rate of draw downs made and distributions received and, importantly, the fund raising cycle for the leading private equity managers in Europe.

## Draw downs

The Company funded a record £75.3 million of draw downs during the year ended 30 September 2006 (30 September 2005: £59.1 million). Over the last eighteen months the quantum of draw downs has grown materially as a result of the high level of new investment activity in the European private equity market and the impact of the Company's growing fund commitments.

The private equity funds to which the Company made the largest draw downs during the year are set out in Table 4.

## Diversification

The Board has agreed diversification limits with the Manager regarding the Company's net asset and commitment exposure to both individual private equity funds and their managers. Such diversification limits are reviewed by the Board regularly. The Manager also monitors the Company's exposure to the underlying investments held by the different private equity funds in which the Company is invested. As at 30 September 2006, the Company was invested in 43 different private equity funds, which collectively had interests in a total of 449 underlying investments (30 September 2005: 39 funds and 411 underlying investments).

Analysis of the underlying investments held by the different private equity funds allows the Manager to track the Company's exposure by geography, industrial sector, maturity of investment and valuation methodology employed by the relevant fund managers in valuing the investments. Such information is used by the Manager in reviewing the overall

**Table 4**  
Largest fund draw downs during the year

	Type of fund	Aggregate draw downs £m
Apax Europe VI	Balanced	8.7
Candover 2005 Fund	Buy-out	8.5
Charterhouse VII	Buy-out	5.7
Charterhouse VIII	Buy out	5.1
Barclays Private Equity European Fund II	Buy-out	5.0
CVC Europe IV	Buy-out	4.9
Third Cinven Fund	Buy-out	4.5
<b>Total of largest draw downs</b>		<b>42.4</b>
<b>Total of all draw downs during the year</b>		<b>75.3</b>

exposure of the Company's portfolio, in assisting it to make new investment decisions and in having a better understanding of the timing of prospective cashflows.

As at 30 September 2006 and 2005 the Company's private equity fund interests were diversified as set out in the bar charts shown on page 10.

The charts demonstrate the broad diversification that applies by geography and by sector within the Company's underlying portfolio of investments. The UK still remains the single largest geographic exposure, although it has fallen from 64% at the time of the Company's listing as other European private equity markets continue to grow. The broad sectoral diversification helps to mitigate the effect of volatility in any individual sector, while the focus on the services, financials and consumer goods sectors reflects the higher growth rates and free cashflow often associated with businesses in these areas.

As the portfolio matures there continues to be a significant percentage of investments in the one to three year category. Many of these investments were made in an attractive environment of lower prices and the Manager believes that these investments will continue to drive the valuation of the portfolio over the next one to two years. Finally, the valuation bar chart illustrates the conservative basis of

valuation used by the fund managers in valuing their underlying investments, with 32% of investments held at cost or written down value. In addition, those investments valued on an earnings basis are valued usually at a discount to comparable listed companies.

## Prospects

An increase in the number and size of investment opportunities, particularly in continental Europe, has characterised the European buy out market over the last few years. This has been supported by growing amounts of capital looking to invest in the asset class. Significant liquidity, both from a debt and equity perspective, coupled to rising financial markets have led to an increase in transaction prices. Notwithstanding, the Manager believes that, subject to external shocks and a continuation of the relatively benign macro economic environment, attractive returns should be generated. The key objective remains that of selecting the leading private equity managers, who remain disciplined in pricing and extracting value from investee companies.

Standard Life Investments  
(Private Equity) Limited

1 December 2006

## Historical Summary

The tables below provide information on the valuation movements, realised gains and income, and outstanding fund commitments for the Company's private equity portfolio for the six monthly reporting periods since listing

### Valuation movements

Unquoted investments	Opening valuation £m	Draw downs £m	Return of cost £m	Unrealised movement £m	Closing valuation £m
Period to 30 September 2001	80.7	5.3	(6.3)	(8.1)	71.6
Six months to 31 March 2002	71.6	8.8	(2.8)	(1.0)	76.6
Six months to 30 September 2002	76.6	27.2	(7.6)	(9.5)	86.7
Six months to 31 March 2003	86.7	24.6	(3.9)	(1.3)	106.1
Six months to 30 September 2003	106.1	28.0	(6.3)	(0.9)	126.9
Six months to 31 March 2004	126.9	18.9	(10.4)	1.1	136.5
Six months to 30 September 2004	136.5	21.0	(16.1)	8.9	150.3
Six months to 31 March 2005	150.3	22.9	(16.5)	10.5	167.2
Six months to 30 September 2005	167.2	36.2	(22.9)	6.1	186.6
Six months to 31 March 2006	186.6	37.6	(20.4)	5.0	208.8
Six months to 30 September 2006	208.8	37.7	(18.8)	11.6	239.3

### Realised gains and income

Unquoted investments	Distributions £m	Realised gain/loss £m	Realisation income £m	MOI* x
Period to 30 September 2001	7.5	1.2	—	1.19
Six months to 31 March 2002	4.0	1.0	0.2	1.43
Six months to 30 September 2002	11.5	2.9	1.0	1.51
Six months to 31 March 2003	5.0	0.3	0.8	1.28
Six months to 30 September 2003	8.6	2.2	0.1	1.37
Six months to 31 March 2004	16.9	6.3	1.3	1.82
Six months to 30 September 2004	23.7	5.4	2.2	1.47
Six months to 31 March 2005	31.7	12.2	3.0	1.92
Six months to 30 September 2005	53.3	28.3	2.1	2.33
Six months to 31 March 2006	43.6	20.6	2.6	2.14
Six months to 30 September 2006	46.7	24.6	3.3	2.48

\*MOI is the multiple of distributed proceeds relative to the original investment cost.

### Outstanding fund commitments

Unquoted investments	Opening outstanding commitments £m	New commitments £m	Draw downs £m	Closing outstanding commitments £m
Period to 30 September 2001	18.4	104.4	(5.3)	117.4
Six months to 31 March 2002	117.4	30.0	(8.8)	135.0
Six months to 30 September 2002	135.0	83.3	(27.2)	191.0
Six months to 31 March 2003	191.0	—	(24.6)	175.3
Six months to 30 September 2003	175.3	—	(28.0)	141.6
Six months to 31 March 2004	141.6	—	(18.9)	116.1
Six months to 30 September 2004	116.1	—	(21.0)	92.1
Six months to 31 March 2005	92.1	73.4	(22.9)	142.7
Six months to 30 September 2005	142.7	75.3	(36.2)	184.8
Six months to 31 March 2006	184.8	147.0	(37.6)	297.6
Six months to 30 September 2006	297.6	53.5	(37.7)	307.7

The above valuations and outstanding commitments are calculated using period end exchange rates, where applicable, as reported in the Company's accounts

# Fund Investments

as at 30 September 2006

The private equity funds in which the Company invests usually take the form of limited partnerships. Contractual commitments are made to the funds and these are drawn down by the managers of the funds as required for investment over time. Details of all of the Company's fund investments, by valuation, and a description of the ten largest fund investments follow.

Year of commitment	Fund	Type	Number of investments	Valuation date*	Outstanding commitment £000	Cost £000	Valuation £000	% of NAV
2001	Alchemy Investment Plan	Buy-out	11	30 09 2006	—	12,268	21,450	7.4%
2001	Advent Global Private Equity IV	Buy-out	15	30 09 2006	2,034	9,957	18,618	6.4%
2002	Charterhouse VII	Buy out	9	30 09 2006	3,339	14,686	17,641	6.1%
2001	CVC Europe III	Buy out	20	30 09 2006	1,547	10,598	15,724	5.4%
2001	Candover 2001 Fund	Buy out	14	30 09 2006	590	14,334	15,598	5.4%
2001	Third Cinven Fund	Buy-out	14	30 09 2006	2,476	11,468	14,640	5.1%
2002	Barclays Private Equity European Fund	Buy-out	21	30 09 2006	955	8,042	11,447	3.9%
2004	Apax Europe VI	Balanced	18	30 09 2006	5,340	9,814	11,202	3.9%
2002	Duke Street Capital V Fund	Buy out	10	30 09 2006	2,124	11,048	9,970	3.4%
2001	MUST 4	Buy-out	19	30 09 2006	1,426	10,165	9,661	3.3%
1999	Apax Europe IV	Balanced	29	30 09 2006	—	10,659	9,648	3.3%
2005	Barclays Private Equity European Fund II	Buy-out	19	30 09 2006	8,118	8,868	9,602	3.3%
2005	Candover 2005 Fund	Buy out	3	30 09 2006	32,201	8,526	7,694	2.7%
2004	Industri Kapital 2004 Fund	Buy-out	8	30 09 2006	4,832	5,363	7,606	2.6%
2002	Coller International Partners IV	Secondary	34	30 09 2006	4,593	4,246	7,602	2.6%
2005	CVC Europe IV	Buy-out	6	30 09 2006	16,422	6,854	6,192	2.1%
2002	Pomona Capital V Fund	Secondary	71	30 09 2006	840	7,299	6,141	2.1%
2006	Charterhouse VIII	Buy-out	2	30 09 2006	35,573	5,144	5,084	1.8%
1997	Charterhouse VI	Buy-out	2	30 09 2006	183	2,141	4,605	1.6%
2005	Advent Global Private Equity V	Buy-out	8	30 09 2006	11,902	2,922	4,596	1.6%
1999	CVC Europe II	Buy-out	16	30 09 2006	919	3,534	4,556	1.6%
2006	HG Capital 5	Buy-out	2	30 09 2006	16,926	3,377	3,036	1.0%
2005	Montagu III	Buy-out	4	30 09 2006	11,953	3,332	3,017	1.0%
2005	Pomona Capital VI Fund	Secondary	19	30 09 2006	10,497	2,839	2,702	0.9%
2001	SEP II	Venture capital	26	30 06 2006	684	3,798	2,670	0.9%
1996	The Primary Capital No 1 Fund	Buy-out	2	30 06 2006	65	1,847	1,495	0.5%
2006	Towerbrook Investors II	Buy-out	5	30 09 2006	11,252	2,227	1,445	0.5%
1998	Phildrew Fifth	Buy-out	3	30 09 2006	193	7,528	1,184	0.4%
2005	BC European VIII	Buy out	2	30 06 2006	14,083	1,181	1,000	0.3%
1989	Apax European Buy in Fund	Buy in	1	30 06 2006	—	2,984	875	0.3%
1995	Apax UK V	Balanced	5	30 09 2006	—	651	706	0.2%
1997	Apax UK VI	Balanced	7	30 09 2006	—	3,992	702	0.2%
1995	Phildrew Fourth	Buy-out	3	30 09 2006	—	563	330	0.1%
1995	Granville Private Equity Fund V	Buy-out	2	30 06 2006	93	1,446	265	0.1%
1998	Candover 1997 Fund	Buy out	2	30 09 2006	632	702	195	0.1%
1996	Scottish Equity Partnership	Venture capital	9	31 03 2006	14	781	194	0.1%
1992	Midland Montagu Investissement FCPR	Buy-out	2	30 09 2006	—	489	150	0.1%
1997	HEV III	Buy-out	3	30 09 2006	—	214	28	0.0%
1995	Morgan Grenfell Equity Partners IV	Buy out	1	30 06 2006	106	208	15	0.0%
1997	The Global Rights Development Fund	Development	2	31 03 2006	—	862	2	0.0%
2006	3i Eurofund V	Buy-out	—	30 09 2006	27,126	—	—	0.0%
2006	Fourth Cinven Fund	Buy-out	—	30 09 2006	48,149	—	—	0.0%
2006	Permira IV	Buy-out	—	30 09 2006	30,517	—	—	0.0%
Total portfolio investments†			449		307,704	216,957	239,288	82.6%
"AAA" rated money market funds							44,387	15.3%
Current assets less current liabilities							6,127	2.1%
Shareholders' funds							289,802	100.0%

\*valuation date refers to the date of the last valuation prepared by the manager of the relevant fund

†the 449 underlying investments represent holdings in 434 separate companies

# Fund Investments

as at 30 September 2005

Year of commitment	Fund	Type	Number of investments	Valuation date*	Outstanding commitment £000	Cost £000	Valuation £000	% of NAV
2001	Alchemy Investment Plan	Buy-out	14	30 09 2005	—	16,866	23,112	10 1%
2001	Advent Global Private Equity IV	Buy-out	13	30 09 2005	3,373	11,562	18,293	8 0%
2001	CVC Europe III	Buy out	21	30 09 2005	1,918	12,662	15,586	6 8%
2002	Charterhouse VII	Buy-out	7	30 09 2005	9,008	11,129	14,896	6 5%
2001	Candover 2001 Fund	Buy out	14	30 09 2005	4,161	12,695	14,768	6 5%
2002	Barclays Private Equity European Fund	Buy-out	27	30 09 2005	1,855	11,155	12,574	5 5%
2002	Duke Street Capital V Fund	Buy-out	10	30 09 2005	2,979	13,836	12,533	5 5%
2001	Third Cinven Fund	Buy-out	12	30 09 2005	7,009	9,430	10,754	4 7%
2001	MUST 4	Buy-out	16	30 09 2005	4,746	8,635	8,528	3 7%
1999	Apax Europe IV	Balanced	36	30 09 2005	613	11,151	7,771	3 4%
1997	Charterhouse VI	Buy-out	6	30 09 2005	733	3,228	7,239	3 2%
2002	Pomona Capital V Fund	Secondary	72	30 09 2005	1,622	7,379	6,528	2 8%
2002	Coller International Partners IV	Secondary	27	30 09 2005	8,097	4,116	6,341	2 8%
1999	CVC Europe II	Buy-out	21	30 09 2005	981	3,968	5,000	2 2%
2005	Barclays Private Equity European Fund II	Buy-out	7	30 09 2005	13,171	3,846	3,657	1 6%
2004	Industri Kapital 2004 Fund	Buy out	5	30 09 2005	7,049	3,205	2,989	1 3%
2004	Apax Europe VI	Balanced	8	30 09 2005	14,056	2,998	2,875	1 2%
2005	CVC Europe IV	Buy-out	2	30 09 2005	21,369	2,492	2,397	1 0%
2001	SEP II	Venture capital	24	30 06 2005	1,724	2,863	2,073	0 9%
1996	The Primary Capital No 1 Fund	Buy out	3	30 06 2005	78	2,101	1,375	0 6%
1998	Phil drew Fifth	Buy-out	5	30 09 2005	193	7,594	1,046	0 5%
2005	Advent Global Private Equity V	Buy-out	3	30 09 2005	14,337	1,002	921	0 4%
1989	Apax European Buy-in Fund	Buy in	1	30 06 2005	—	2,984	860	0 4%
1995	Apax UK V	Balanced	6	30 09 2005	—	1,998	852	0 4%
1997	Apax UK VI	Balanced	8	30 09 2005	—	3,992	800	0 4%
1990	Apax CR III	Balanced	2	30 09 2005	—	460	645	0 3%
1998	Candover 1997 Fund	Buy out	3	30 09 2005	632	1,213	462	0 2%
1995	Granville Private Equity Fund V	Buy-out	4	30 06 2005	93	1,524	412	0 2%
1995	Phil drew Fourth	Buy-out	3	30 09 2005	—	1,293	349	0 2%
1997	The Global Rights Development Fund	Development	3	31 03 2005	—	861	341	0 1%
1997	HEV III	Buy-out	4	30 09 2005	—	214	229	0 1%
1996	Scottish Equity Partnership	Venture capital	19	31 03 2005	19	798	217	0 1%
1992	Midland Montagu Investissement FCPR	Buy-out	4	30 09 2005	—	586	202	0 1%
1994	Charterhouse V	Buy-out	—	30 09 2005	19	45	3	0 0%
1995	Morgan Grenfell Equity Partners IV	Buy-out	1	30 06 2005	106	690	—	0 0%
2005	Pomona Capital VI Fund	Secondary	—	30 09 2005	13,849	281	—	0 0%
2005	Montagu III	Buy-out	—	30 09 2005	15,254	83	—	0 0%
2005	Candover 2005 Fund	Buy out	—	30 09 2005	20,441	4	—	0 0%
2005	BC European VIII	Buy-out	—	30 09 2005	15,334	—	—	0 0%
Total portfolio investments <sup>†</sup>			411		184,819	180,939	186,628	81 7%
"AAA" rated money market funds							40,386	17 9%
Current assets less current liabilities**							1,334	0 6%
Shareholders' funds**							228,348	100 0%

\*valuation date refers to the date of the last valuation prepared by the manager of the relevant fund

<sup>†</sup>the 411 underlying investments represent holdings in 396 separate companies

\*\*the accounts have been restated, see note 18 on page 41

# Ten Largest Fund Investments

as at 30 September 2006

## **Alchemy Investment Plan**

Alchemy Investment Plan is a £400 million annual rolling private equity fund. The fund is managed by Alchemy Partners, based in London, and is structured as a rolling investment where investors build their portfolio from the date of commitment. The manager was established in 1997 by Jon Moulton and a number of partners with industrial and private equity experience. The strategy is to invest in complex transactions and turnaround situations in the UK and Ireland.

## **Advent Global Private Equity IV**

Advent Global Private Equity IV is a private equity fund focused on global buy outs. The fund has total commitments of \$1.5 billion for global investment. The Company has committed to the euro denominated partnership that invests only in European transactions and has total commitments of €249.5 million. The fund is managed by Advent International which operates in Europe from offices in London, Paris, Frankfurt, Milan, Amsterdam and Madrid. Advent focuses on middle market buy out transactions, typically in the chemicals, business services, media, telecommunications and IT sectors.

## **Charterhouse VII**

Charterhouse Capital Partners VII is a €2.7 billion private equity fund focused on European buy outs. The fund is managed by Charterhouse Capital Partners, one of the oldest private equity firms in the UK. The manager operates across western Europe from its London office and has a long track record of delivering superior returns for investors. The investment strategy is to target large corporate buy outs with an equity requirement of €200-450 million per transaction. Charterhouse prefers to invest the equity requirement for each deal on its own, or together with its limited partners, rather than join syndicated transactions.

## **CVC Europe III**

CVC European Equity Partners III is a \$4.0 billion private equity fund focused on European buy-outs. The fund is managed by CVC Capital Partners Europe Limited ("CVC"). CVC is a leading pan European manager of buy outs with a long track record and operates from offices in London, Paris, Frankfurt, Amsterdam, Brussels, Copenhagen, Madrid, Stockholm, Zurich and Milan. CVC targeted medium and large sized buy-out transactions where the target companies had annual sales in excess of €50 million.

## **Candover 2001 Fund**

The Candover 2001 Fund is a €2.7 billion private equity fund focused on European buy outs. The fund is managed by Candover Partners Limited, a subsidiary of Candover Investments plc. The Candover 2001 Fund is the manager's eighth fund since being founded in 1983. Historically, Candover has concentrated on larger buy outs in the UK market, however, investments in France, Germany and the Benelux countries are now a significant part of the manager's strategy. The manager has opened offices in Paris, Dusseldorf and Madrid to support this European expansion.

## **Third Cinven Fund**

The Third Cinven Fund is a €4.4 billion private equity fund targeting large buy-outs of European headquartered companies. Cinven Limited, the manager, operates from offices in London, Frankfurt, Milan and Paris and enjoys a strong market position in the UK.

# Ten Largest Fund Investments

as at 30 September 2006

## **Barclays Private Equity European Fund**

Barclays Private Equity European Fund is a €600 million private equity fund focused on European middle market buy outs. The fund is managed by Barclays Private Equity Limited, the private equity arm of Barclays PLC. The manager operates from offices in London, Paris, Munich, Milan, Birmingham, Manchester and Reading. The majority of investments were sourced from the UK.

## **Apax Europe VI**

Apax Europe VI is a €4.3 billion balanced private equity fund focused on the European market. The fund is managed by Apax Partners & Co. Ventures, one of the leading and most experienced private equity managers in Europe, and part of the Apax Partners international network. The manager operates from offices in London, Munich, Milan, Stockholm, New York, Tel Aviv and Madrid and manages in excess of \$20 billion. The balanced strategy spans early stage, expansion capital, special situations and buy-outs, and targets Apax Partners' six chosen sectors of information technology, telecommunications, healthcare, media, financial services and retail.

## **Duke Street Capital V Fund**

Duke Street Capital V Fund is a €845 million private equity fund focused on buy outs in the UK and France. The fund is managed by Duke Street Capital, which grew out of what was originally Hambro European Ventures, a wholly owned subsidiary of Hambros Plc, a merchant banking group. Duke Street Capital operates from offices in London and Paris.

## **MUST 4**

MUST 4 is a £367 million private equity fund focusing on European buy-outs. It is managed by HgCapital, which started investing in private equity in 1983 under the name Mercury Private Equity. The focus of MUST 4 was small and middle market buy outs and the portfolio comprises 21 companies, with target enterprise values of between £25m and £250m. Investments are concentrated in the UK, Germany and the Netherlands, where HgCapital has offices.



## Top 30 Underlying Investments

The table below summarises the top 30 underlying investments, by value, in the Company's portfolio of private equity funds as at 30 September 2006. The valuations are gross, before any carry provision.

Entity	Description	Fund <sup>†</sup>	% of NAV
Kestrel	Specialist mortgage lending	Alchemy	2.6
TDF	Transmission towers operator	Charterhouse VI & VII	2.5
Gala	Bingo & casino operator	Candover 2001, Third Cinven	1.9
Elior	Catering	Charterhouse VII & VIII	1.9
PHS	UK business services group	Charterhouse VII	1.3
Springer	Publisher of academic & scientific journals	Candover 2001, Third Cinven	1.3
UK Mail Services	Postal services	Candover 2005	1.2
Sportfive	Leading European sports rights agency	Advent IV	1.2
Dufry	Duty free retailer	Advent IV	1.2
Cedar	Services & systems integration	Alchemy	1.0
Formula One	Motor racing	CVC IV	1.0
Not disclosed	Large mining equipment manufacturer	Advent V	0.9
Ista (formerly Viterro Energy Services)	Heat & water metering	CVC III	0.9
Saga	Specialist financial services & holiday provider	Charterhouse VII	0.9
Cedar Crestone	Services and systems integration	Alchemy	0.8
Blagden Packaging	Manufacturer of steel drums	Alchemy	0.8
Esporta	Health club operator	Duke Street V	0.8
Flint	Consumer services	CVC III	0.8
The AA	Motor and insurance services	CVC III	0.8
Q Hotels	Hotel group	Alchemy	0.8
Fat Face	Specialist clothing retailer	Advent IV	0.8
Parques Reunidos	Outdoor leisure parks	Advent IV	0.8
Eurotax Glass's	Business publishing	Candover 2005	0.7
World Directories	Yellow pages operator	Third Cinven	0.7
Just Learning	Nursery care operator	Alchemy	0.7
UPC	Cable operator	Candover 2005	0.7
Accantua	Health, beauty & disposable hygiene products	Duke Street V	0.6
Versatel	Telecommunications	Apax IV & VI	0.6
Autobar	Vending machine supplier	Charterhouse VII	0.6
Equity Insurance	Motor insurance underwriting & distribution	Duke Street V	0.6
Total of top 30 underlying investments			31.2

<sup>†</sup>Full Fund names are shown on pages 12 and 13

**Scott Dobbie CBE***Chairman*

Scott Dobbie (67), Chairman, was appointed on 25 April 2001. He began his career at Wood Mackenzie & Co. and worked for 30 years at a senior level at this and successor companies before retiring in 1999. He is the Chairman of the Securities and Investment Institute and The Edinburgh Investment Trust plc, a director of Premier Oil plc, and a Commissioner of the Jersey Financial Services Commission. He is also a senior adviser to Deutsche Bank.

**Hamish Buchan\****Director*

Hamish Buchan (62), was appointed on 25 April 2001. He started with Wood Mackenzie & Co. in 1969, where he was appointed a partner in 1979. Following his retirement in 1999, he has worked as a consultant in the investment company sector and is currently the Chairman of the Association of Investment Companies and Chairman of its Statistics Committee. He is also a non-executive director of Aberforth Smaller Companies Trust plc, JP Morgan American Trust plc (Chairman), Personal Assets Trust plc and The Scottish Investment Trust plc.

**Simon Edwards***Director*

Simon Edwards (43), was appointed on 25 April 2001. He is chief executive of Midas Capital Partners. His earlier experience included three years with CSFB in London, three years as equity investment manager for National Provident Fund in New Zealand, three years with AMP Society, also in New Zealand, and seven years with Merseyside Pension Fund.

**George Kershaw***Director*

George Kershaw (54), was appointed on 25 April 2001. He started his career in stockbroking and joined de Zoete & Bevan in 1977, becoming a partner in 1984. He became head of global equity sales at BZW and following the acquisition by CSFB became head of the investment trust team from 1996 to 2000. He is a director of Trust Associates Ltd, an independent adviser in the investment trust sector. He is a director of the Association of Investment Companies.

**Clive Sherling***Director*

Clive Sherling (57) was appointed on 1 December 2006. He spent 17 years at Arthur Andersen, the last five years as a partner. He joined Apax Partners in 1987 and was for the last ten years, until he retired at the end of 2004, the group chief operating officer. He is a former chairman of the British Venture Capital Association and the Football Licensing Authority and former Vice-Chairman of the Sports Aid Foundation. He is also a non-executive director of Blacks Leisure Group plc and Vice Chairman of Wembley National Stadium Limited.

**Mark Tyndall***Director*

Mark Tyndall (48), was appointed on 25 April 2001. He is chief executive of Artemis Investment Management Limited, with overall responsibility for investment strategy. Prior to founding Artemis in 1997, he spent thirteen years at Ivory & Sime plc where he was the main board director responsible for Ivory & Sime Development Capital and, from 1993, head of UK equities. He is also a non-executive director of Cairn Energy plc.

**Donald Workman***Director*

Donald Workman (54) was appointed on 1 December 2006. He is an investment director within the Corporate Markets division of The Royal Bank of Scotland plc. Since joining RBS in 1992 his responsibilities have included strategic planning and implementation and head of change management. He currently manages a portfolio of RBS unquoted investments and is also responsible for the relationship between RBS Corporate Markets and the Bank of China. He is a non-executive director of Southern Water Services, Star Capital Partners, Health Club Investments Group and Scottish Financial Enterprise.

\* Hamish Buchan has been nominated as the Senior Independent Director and is also the Chairman of the Audit Committee.

All of the Directors, except Scott Dobbie, are members of the Audit Committee.

All of the Directors are members of the Management Engagement and Nominations Committees.

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 September 2006

## Business Review

### Business and Status

The Company was incorporated as a public limited company on 9 March 2001 and commenced business on 29 May 2001

The Company carries on business as an investment trust and has been approved as such by HM Revenue & Customs for the year ended 30 September 2005, subject to their rights to further enquiry under the Finance Act 1998. The Company has subsequently conducted its affairs so as to enable it to continue to seek such approval. The Company is an investment company within the terms of section 266 of the Companies Act 1985.

The Manager of the Company is Standard Life Investments (Private Equity) Limited. The Board is independent of the Manager and Standard Life.

### Investment Objective

The investment objective is to achieve long term capital gains through investment in a diversified portfolio of private equity funds investing predominantly in Europe.

### Review of performance over one year and five years

An outline of the performance, market background, investment activity and portfolio during the year under review and for the period since listing, as well as the investment outlook, are provided in the Chairman's Statement and the Managers' Review.

### Monitoring performance – Key Performance Indicators

At each Board meeting the Directors consider a number of performance indicators to assess the Company's success in achieving its objectives, which include both absolute and relative

Table 7  
Directors and their shareholdings in the Company

	Ordinary shares held as at 30 September 2006	Ordinary shares held as at 30 September 2005
Scott Dobbie	150,000	150,000
Hamish Buchan	25,000	25,000
Simon Edwards	10,000	10,000
George Kershaw	20,000	20,000
Clive Sherling*	—	—
Mark Tyndall	5,000	5,000
Donald Workman*	—	—

All of the above ordinary shares are beneficially held by the Directors and their families. No Director held any founder shares.

\*Appointed on 1 December 2006

performance compared to market indices and peer group. The key performance indicators ("KPIs") are established industry measures, covering both the Company and its fund investments, and include:

- Net asset value capital return
- Projected and actual portfolio cashflows
- Discount and discount volatility
- Share price capital return
- Expenses and expense ratio

The net asset value and share price performance for the year ended 30 September 2006 and since listing are provided in the Financial Summary on page 2. The Company's expense ratio and discount levels are also provided on page 2. An analysis of the portfolio cashflows, including drawdowns and distributions, and commitments is provided in the Manager's Review.

### Principal Risks and Uncertainties

The major focus of the Company is to invest in European private equity funds, which themselves invest in unquoted companies. The Company has the ability to invest up to 20% of its gross assets in funds that operate outside Europe. The aim is to build a portfolio of private equity fund interests diversified by country, industry, sector, maturity and size of investment. The financial risk management objectives and policies of the Company are contained in note 17 to the accounts on page

38. The principal risks facing the Company relate to the Company's investment activities and include the following:

- market risk
- currency risk
- over commitment risk
- liquidity risk

An explanation of these risks and how they are managed is contained in note 17 to the accounts.

### Share capital

As at 30 September 2006, the Company's issued and paid up share capital was £353,673, divided into 159,150,000 fully paid up ordinary shares, 14,835,625 founder A shares and 14,835,625 founder B shares partly paid up as to 0.1p per share and 2,664,375 founder A shares and 2,664,375 founder B shares partly paid up as to 0.11p per share.

Standard Life Investments Limited and individual members of the Manager's investment team have been allotted 35,000,000 founder shares which, subject to the performance of the Company, are convertible into a maximum of 10 per cent of the ordinary share capital of the Company as enlarged by conversion. The founder shares are not listed, have restrictions on transferability and do not carry voting rights, except in the case of changes to class rights. There are no

other convertible classes of shares, convertible instruments, warrants or options to subscribe for equity shares outstanding as at the date of this document

The founder shares have been allotted in two tranches, founder A and B shares. In the normal course, each tranche is convertible from 2006 and 2011, based on performance in the periods 2001 to 2006 and 2006 to 2011 respectively. The performance condition for each period is that the compound annual growth rate on the Company's net asset value per ordinary share, including distributions other than share buy backs, exceeds 10 per cent. In each case the extent to which the founder shares are convertible will depend on the total return achieved in excess of the 10 per cent hurdle, with each tranche being fully convertible at a compound annual return of 15 per cent. The conversion price is 100p per ordinary share less the amount already paid up on that founder share, subject to adjustment in certain circumstances.

The compound annual growth rate for the founder A performance period, being the period from 29 May 2001 to 30 September 2006, has been determined at 12.95%. In accordance with the requirements of the Company's Articles of Association ("articles"), this figure has been certified by the Company's auditors, PricewaterhouseCoopers. Applying the conversion formula prescribed under the Company's articles, 4,854,979 founder A shares have become capable of conversion into an equal number of ordinary shares. Each founder A share which is capable of conversion but which remains unconverted after 31 December 2013 automatically ceases to be capable of conversion from that date.

The net asset value per ordinary share was re-based on 1 October 2006 for the purposes of calculating the total return in respect of the founder B performance period. The Company's articles contain provisions to extend the

management incentive to apply to any further issues of share capital.

## Income and final dividend

Income available for dividends was £4,848,000, or 3.05p per ordinary share (30 September 2005 – £3,689,000, or 2.32p per ordinary share). The Directors recommend that a final dividend of 2.4p (30 September 2005 – 1.8p) per ordinary share be paid on 7 February 2007 to shareholders on the Company's share register as at the close of business on 5 January 2007.

## Directors

Scott Dobbie and Simon Edwards retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election at the Annual General Meeting. Clive Sherling and Donald Workman were appointed as non-executive Directors on 1 December 2006 and in accordance with the Company's articles will retire from the Board and offer themselves for election at the Annual General Meeting. Mr Kershaw will retire from the Board at the conclusion of the Annual General Meeting. Biographies of the Directors can be found on page 17. The Board supports the candidature of the Directors for the reasons described in the Corporate Governance section below.

The names of the Directors and their shareholdings in the Company are shown in Table 7. The Company has not been notified of any changes to the Directors' shareholdings between 30 September 2006 and 1 December 2006.

No contract or arrangement existed during the period in which any of the Directors had a material interest. No Director has a service contract with the Company.

## Directors' and Officers' Liability Insurance/ Directors' Indemnity

The Company maintains insurance in respect of Directors' and officers' liabilities in relation to their acts on behalf of the Company. The

Company's articles entitle any Director or other Officer of the Company, if a majority of the Board so determines, to be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company to the extent permitted by law.

## Corporate Governance

### Compliance

The Board and the Manager are committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code on Corporate Governance ("the Combined Code"). The Board has established corporate governance procedures, which it believes are appropriate for an investment trust company, and which enable the Company to comply with the relevant provisions of the Combined Code and, where appropriate, with the provisions of the AIC Code of Corporate Governance.

The Board believes that the Company has complied throughout the period with the provisions of the Combined Code, except for the provision which relates to the combination of the roles of the Chairman and Chief Executive. This provision does not apply as the Company has no executive Directors.

### Directors

The Board has overall responsibility for the Company's affairs. It delegates, through the investment management and administration agreements and through specific instructions, the day to day management of the Company to the Manager, Standard Life Investments (Private Equity) Limited, and the Administrator, Edinburgh Fund Managers plc. The Company has no executives or employees. There are a number of matters reserved for the Board's approval which include strategy, investment policy, borrowings, dividend policy and Board appointments.

# Directors' Report

The Board presently consists of seven non-executive Directors, one of whom is Chairman. All of the Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The terms and conditions of appointment of the Directors are available at the Company's registered office.

The Directors have the requisite business and financial experience to enable the Board to provide strategic leadership and proper governance of the Company. The Senior Independent Director is Hamish Buchan.

The Board meets formally at least five times each year. There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, budgets, dividends and communication with shareholders. There is regular contact between the Directors and the Manager throughout the year.

Table 8 sets out the number of formal Directors' and Committee meetings attended by each Director during the year.

## *Nominations Committee*

All of the Directors are members of the Nominations Committee and Scott Dobbie is the Chairman. The terms of reference, which are available at the Company's registered office, include review of the Board, identification and nomination of candidates for appointment to the Board, appraisal of the Chairman and the Board, succession planning and training.

Any future appointments of new Directors will be considered by the Nominations Committee, taking into account the need to maintain a balanced Board. New Directors appointed to the Board will be given an induction meeting with the Manager and be provided with all

Table 8

Meetings held and attendance	Board	Audit Committee	Management Engagement Committee	Nominations Committee
Meetings held	5	2	1	1
Scott Dobbie†	5	2	1	1
Hamish Buchan	5	2	1	1
Simon Edwards	5	2	1	1
George Kershaw	5	2	1	1
Clive Sherling*	—	—	—	—
Mark Tyndall	4	2	1	1
Donald Workman*	—	—	—	—

\*Appointed on 1 December 2006 after this year's meeting cycle

†Scott Dobbie attended the audit committee as a non voting observer

relevant information regarding the Company and their duties as a Director. Thereafter, regular briefings are provided on changes in regulatory requirements that could affect the Company and the Directors. Professional advisers report from time to time and Directors will, if necessary, attend seminars covering relevant issues and developments.

The Company's articles provide that a Director appointed during any period is required to retire and seek election by shareholders at the next Annual General Meeting. The articles also require that one third of the non-executive Directors retire by rotation each year and seek re-election at the Annual General Meeting and that every Director submits himself or herself for re-election at least every three years. Directors are appointed to the Board for a specified period, initially three years, and subsequent extensions are, in each case, considered by the Board. Under the Combined Code, Directors with more than nine years service are required to submit themselves for annual re-election and this requirement is reflected in the articles.

The Board supports the re-elections of Scott Dobbie and Simon Edwards, who are due to retire by rotation at this year's Annual General Meeting, and recommends their re-election to shareholders. Mr Dobbie has considerable

experience of the investment trust sector and has made a significant contribution to the work of the Board, especially in his role as Chairman. Mr Edwards has extensive knowledge of the investment management industry, including the private equity sector, and his contribution to the Board has been material.

There is a procedure for Directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Edinburgh Fund Managers plc, which is responsible to the Board for ensuring that Board procedures are followed and that the Company complies with the applicable rules and regulations.

Directors' remuneration is considered by the Board and, therefore, a separate remuneration committee has not been established. Details of remuneration are contained within the Directors' Remuneration Report on page 24.

## *Performance evaluation*

A formal assessment of the operation of the Board and its Committees and of the contribution of each Director, including the Chairman, was undertaken during the year. The Chairman was assessed by his colleagues

in discussions with the Senior Independent Director. Overall, the performance of the Board, collectively and individually, continues to be judged as fully satisfactorily.

## *Succession Planning*

The Board was conscious that all of the Directors were appointed when the Company was listed in 2001. The Board has agreed a succession planning timetable in order to provide an appropriate balance in future between new blood and continuity, in line with good corporate governance. In particular, the Board recognised the advantages of having representatives with specific expertise of private equity markets. An external consultant was used to identify candidates and this process resulted in the appointments of Clive Sherling and Donald Workman as non-executive Directors on 1 December 2006. Clive Sherling was chief operating officer of Apax Partners and has over 17 years experience of the private equity sector. Donald Workman is an investment director within the Corporate Markets division of The Royal Bank of Scotland. They will offer themselves for election by shareholders at the forthcoming Annual General Meeting. The Board endorses their candidature and recommends their appointment to shareholders.

## *Communication with shareholders*

The Directors place great importance on communication with the Company's shareholders. The Manager also carries out a programme of regular dialogue and individual meetings with institutional shareholders. The Chairman and Senior Independent Director welcome correspondence from shareholders, addressed to the Company's registered office. During the year the Board met with representatives of major shareholders.

The notice of the Annual General Meeting, included with this annual report and accounts, is sent out at least 20 working days in advance of the meeting. All Directors intend to be

available at the Annual General Meeting and shareholders are encouraged to attend and ask questions of the Board. The Board hopes that as many shareholders as possible will be able to attend the meeting. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands.

## *Accountability and audit*

The Audit Committee is chaired by Hamish Buchan and comprises all Directors with the exception of Scott Dobbie. The Board has taken note of the recommendation that a member of the Audit Committee should have recent and relevant experience and is satisfied that the members of the Audit Committee have the necessary skills and experience. The Audit Committee's terms of reference are available at the Company's registered office.

The Audit Committee meets at least twice a year and considers reports from the Independent Auditors, the Manager and the Administrator. In addition, the Audit Committee meets, at least annually, with the Independent Auditors in the absence of the Manager. The main responsibilities of the Audit Committee include

- monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies,
- reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management) and considering the scope of work undertaken by the Manager's and the Administrator's internal audit departments, and
- making recommendations to the Board regarding the appointment and independence of the Independent Auditors and the objectivity and effectiveness of the audit process, with particular regard to the level of non-audit fees, if any.

Shareholders have the opportunity at each Annual General Meeting to vote on the election of the Independent Auditors for the forthcoming year.

The respective responsibilities of the Directors and the Independent Auditors in connection with the financial statements appear on pages 25 and 26.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks and that it has been in place for the year ended 30 September 2006 and up to the date of approval of the annual report and accounts. It is regularly reviewed by the Board and accords with the Turnbull Guidance on internal control.

Under the terms of the investment management and administration agreements, the day to day management and operation of the Company has been delegated to the Manager and the Administrator. The Manager and the Administrator are responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board, the Manager and the Administrator and regular reports on controls and compliance issues are provided to the Board. In carrying out its review, the Board has regard to the activities of the Manager and the Administrators, and their internal audit functions, and the Independent Auditors.

# Directors' Report

The Board considers that an internal audit function is not required by the Company as the internal control systems operated by the Manager's ultimate parent and Administrator, both of whom have strong internal audit functions, provide sufficient assurance over the effectiveness of internal controls

## Management Engagement Committee

All of the Directors are members of the Management Engagement Committee and Scott Dobbie is the Chairman. The Committee reviews the performance of both the Manager and the Administrator and their compliance with the terms of the management and administration agreements respectively. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis. The management agreement is terminable on not less than 12 months' written notice. The Manager's appointment may be terminated by a lesser period of notice, with (save in some exceptional circumstances) compensation in lieu of notice payable by the Company to the Manager.

The Committee considers that the Manager, whose team is well qualified and experienced, has fully met the terms of its agreement with the Company. Investments are carefully identified, screened and monitored, risks rigorously controlled and cashflow projections updated regularly. Written and verbal presentations to the Board are made in a highly professional manner, as is communication to shareholders, City commentators and the media. Company secretarial and support services have also performed well.

A review of management fees, relative to the peer group, indicates that the fees paid by the Company are competitive. Having regard to the foregoing, the Committee, and hence the Board, believes that the continuing appointment of the Manager on the current terms agreed is in the interests of shareholders.

Table 9

Substantial share interests

	No. of ordinary shares	%
Standard Life plc	80,815,718	50.78
Foreign & Colonial Asset Management PLC	19,000,000	11.88
Including Foreign & Colonial Investment Trust PLC	8,000,000	5.00
British Assets Trust plc	5,000,000	3.13
The Alliance Trust PLC	8,000,000	5.00

## Going concern

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

## Substantial share interests

The substantial interests in the Company's ordinary share capital which had been notified to the Company as at 1 December 2006 are shown in Table 9.

Following the demutualisation of The Standard Life Assurance Company ("SLAC") in July 2006, the Company has entered into a new relationship agreement with Standard Life plc ("Standard Life"), the new ultimate holding company of the Standard Life Group. This relationship agreement replaces, on the same terms, the relationship agreement which the Company entered into with SLAC when the Company was listed. The new relationship agreement provides that, for so long as Standard Life and its associates exercise, or control the exercise of, 30 per cent or more of the voting rights of the Company, Standard Life will not seek to nominate to the Board, directors who are not independent of Standard Life and will not take, in its capacity as a beneficial holder of any ordinary shares, any action which would be detrimental to the general body of shareholders. For this purpose, any action which has the support or recommendation of a majority of the Directors shall be deemed not to be detrimental.

## Independent Auditors

A resolution to re-appoint the Company's Auditors, PricewaterhouseCoopers LLP, and authorise the Directors to agree their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting. The Directors confirm that so far as each Director is aware there is no relevant audit information of which the Company's auditors are unaware. Each Director has also taken all reasonable steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Independent Auditors are aware of that information.

## Payment policy

The Company's payment policy is to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to business taking place. The Company had no trade creditors at either 30 September 2006 or 30 September 2005.

## Annual General Meeting

The resolutions which will be proposed at the forthcoming Annual General Meeting include the following:

### Resolution 9 Section 80 authority to allot shares

Resolution 9, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to an aggregate nominal amount of £81,700.

(representing approximately 25.67 per cent of the total ordinary share capital of the Company in issue as at the date of this document). Such authority will expire on 29 April 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008.

### **Resolution 10 Disapplication of pre-emption rights**

As noted above, resolution 9 will, if approved, give the Directors a general authority to allot securities up to an aggregate nominal amount of £81,700. Resolution 10, which is a special resolution, will, if approved, authorise the Directors to allot new ordinary shares and existing ordinary shares held by the Company in treasury up to an aggregate nominal amount of £15,915 (representing five per cent of the total ordinary share capital of the Company in issue as at the date of this document) for cash without first offering such ordinary shares to existing shareholders pro rata to their existing shareholdings.

These authorities, which relate both to the issue of new ordinary shares and to the re-issue by the Company of shares held in treasury, will continue in effect until 29 April 2008 or, if earlier, the conclusion of the Annual General Meeting in 2008. The Directors will only issue new ordinary shares pursuant to these authorities, and will only re-issue existing ordinary shares held in treasury pursuant to these authorities, if they believe it is advantageous to the shareholders to do so and where the issue price exceeds the last published

NAV. The Company does not, as at the date of this report, hold any ordinary shares in treasury.

### **Resolution 11 Share buy backs**

The existing buy back authority, granted at the Annual General Meeting of the Company held on 30 January 2006, permits the Company to make market purchases of up to 14.99 per cent of the Company's issued ordinary share capital as at 30 January 2006 and expires at the forthcoming Annual General Meeting. During the financial year ended 30 September 2006 no ordinary shares were bought back by the Company. Nonetheless, the Directors consider that the Company should continue to have the authority to make market purchases of its ordinary shares for cancellations, or to be held in treasury. The Directors will be proposing resolution 11 as a special resolution to authorise the Board to buy back up to 14.99 per cent of the Company's issued ordinary share capital as at the date on which the resolution is proposed. The making and timing of any market purchases of ordinary shares will be at the absolute discretion of the Board. Any ordinary shares bought back may be held by the Company in treasury, subject to the statutory limit of 10 per cent of the Company's issued ordinary share capital.

Purchases under any such buy back authority will only be made through the market for cash at prices below the last published NAV of the ordinary shares, such that purchases will enhance the NAV of the remaining ordinary shares. The minimum price which may be paid

for an ordinary share shall be 0.2p per ordinary share (being the nominal value of an ordinary share). The maximum price shall be an amount being not more than the higher of (i) 105 per cent of the average middle market quotation of an ordinary share (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an ordinary share on the trading venue where the purchase is carried out. This authority will expire on 29 April 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2008.

By order of the Board

Edinburgh Fund Managers plc  
Company Secretary

Edinburgh, 1 December 2006



# Directors' Remuneration Report

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

The law requires the Company's Independent Auditors to audit certain of the disclosures provided herein. Where disclosures have been audited, they are indicated as such. The Independent Auditors' opinion is included in their report on page 26.

## Remuneration committee

The Company has seven non-executive Directors. The Board as a whole fulfils the function of a remuneration committee. The Board has instructed the Manager, Standard Life Investments (Private Equity) Limited, to provide annually appropriate information to assist the Board in considering the level of Directors' fees.

## Policy on Directors' fees

The Company's policy is to remunerate Directors at a rate which both attracts and retains individuals of the necessary calibre and experience and is comparable to that paid by other companies with similar characteristics. It is intended that this policy will continue for the year ending 30 September 2007 and for subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's articles and Directors are not eligible for bonuses, pension benefits, share

Table 10 Directors' fees excluding VAT and NI (audited)	2006 £	2005 £
Scott Dobbie	29,000	29,000
Hamish Buchan	20,500	20,500
Simon Edwards	17,500	17,500
George Kershaw	17,500	17,500
Clive Sherling*	-	-
Mark Tyndall	17,500	17,500
Donald Workman*	-	-
<b>Total</b>	<b>102,000</b>	<b>102,000</b>

\*Appointed on 1 December 2006

options, long term incentive schemes or other benefits.

The limit on Directors' fees was increased to £250,000 at the Annual General Meeting held in January 2006.

The Board carried out a review of the level of Directors' fees during the year. It concluded that the scope of the Board's work and the levels of comparable fees have increased since the current level of fees was set in 2004. It was agreed that Directors' fees should be increased with effect from 1 October 2006 to £33,000 per annum for the Chairman and £20,000 per annum for each Director. Mr Buchan's fee would be increased to £25,000 per annum to reflect the additional work resulting from his role as Senior Independent Director, and his Chairmanship of the Audit Committee.

## Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of

their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment and at least every three years thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

## Total shareholder return

The graph below presents for the period from listing, 29 May 2001, to 30 September 2006 the total shareholder return, assuming all dividends were reinvested, for a holding in the Company's shares, compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the FTSE All-Share and MSCI Europe (in sterling) indices are calculated. These indices are chosen for comparative purposes only.

## Directors' emoluments for the year (audited)

The Directors' fees payable to Mr Tyndall were paid to Artemis Investment Management Limited. The payment was for making his services available as a Director of the Company. All other Directors who served during the year received the emoluments, in the form of fees, as described in Table 10.

## Approval

The Directors' Remuneration Report was approved by the Board of Directors on 1 December 2006.

By order of the Board

Edinburgh Fund Managers plc  
Company Secretary

Edinburgh, 1 December 2006

Total cumulative ordinary shareholder return for the period from listing to 30 September 2006

# Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit/loss of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors confirm that they comply with all the above requirements

The Directors are responsible for keeping proper accounting records which 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 1985. The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and to detect fraud and other irregularities.

The maintenance and integrity of the Manager's website, upon which these financial statements may be presented, is the responsibility of the Manager. The work carried out by the Independent Auditors does not involve consideration of these matters and, accordingly, the Independent Auditors accept no responsibility for any changes that may occur to the financial statements once they are presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Edinburgh Fund Managers plc  
Company Secretary

Edinburgh, 1 December 2006

*Ulene  
McKenzie*

# Independent Auditors' Report

## To the members of Standard Life European Private Equity Trust PLC

We have audited the financial statements of Standard Life European Private Equity Trust PLC for the year ended 30 September 2006 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cashflow Statement and the related notes on pages 27 to 41. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

## Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared

in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Manager's Review, Financial Summary and notes to the accounts that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Manager's Review, the Directors' Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2006 and of its profit and cashflows for the year then ended,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditor

Edinburgh, 1 December 2006

# Income Statement

for the year ended 30 September 2006

		2006			2005 (restated)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
GAINS ON INVESTMENTS	8	—	61,117	61,117	—	57,036	57,036
Currency (losses)/gains on cash balances	12	—	(172)	(172)	—	151	151
Income from investments	2	7,636	—	7,636	5,955	—	5,955
Investment management fee	3	(215)	(1,934)	(2,149)	(165)	(1,482)	(1,647)
Administrative expenses	4	(476)	—	(476)	(375)	—	(375)
<hr/>							
RETURN ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		6,945	59,011	65,956	5,415	55,705	61,120
Finance cost	12	(19)	(171)	(190)	(19)	(171)	(190)
<hr/>							
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		6,926	58,840	65,766	5,396	55,534	60,930
Taxation	5	(2,078)	631	(1,447)	(1,707)	496	(1,211)
<hr/>							
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		4,848	59,471	64,319	3,689	56,030	59,719
<hr/>							
RETURN PER ORDINARY SHARE	7	3 05p	37 36p	40 41p	2 32p†	35 21p†	37 53p†
<hr/>							
DILUTED RETURN PER ORDINARY SHARE	7	3 01p	36 90p	39 91p			

The total column of this statement represents the profit and loss account of the Company

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

No operations were acquired or discontinued in the period

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement.

†Earnings per share – basic and diluted

The dividend which has been recommended based on this Income Statement is 2 40p (2005 1 80p)

# Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2006

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve Realised £'000	Capital reserve Unrealised £'000	Revenue reserve £'000	Total £'000
FOR THE YEAR ENDED 30 SEPTEMBER 2006									
Balance at 30 September 2005									
as originally reported		354	77,775	79,148	1	60,107	5,841	2,257	225,483
Restatements (see note 18)		—	—	—	—	—	—	2,865	2,865
Balance at 30 September 2005 as restated		354	77,775	79,148	1	60,107	5,841	5,122	228,348
Total recognised gains		—	—	—	—	43,127	16,344	4,848	64,319
Dividends paid		—	—	—	—	—	—	(2,865)	(2,865)
Balance at 30 September 2006	11&12	354	77,775	79,148	1	103,234	22,185	7,105	289,802

		Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve Realised £'000	Capital reserve Unrealised £'000	Revenue reserve £'000	Total £'000
FOR THE YEAR ENDED 30 SEPTEMBER 2005									
Balance at 30 September 2004									
as originally reported		354	77,775	79,148	1	20,011	(10,093)	1,433	168,629
Restatements (see note 18)		—	—	—	—	—	—	1,910	1,910
Balance at 30 September 2004 as restated		354	77,775	79,148	1	20,011	(10,093)	3,343	170,539
Total recognised gains		—	—	—	—	40,096	15,934	3,689	59,719
Dividends paid		—	—	—	—	—	—	(1,910)	(1,910)
Balance at 30 September 2005 as restated		354	77,775	79,148	1	60,107	5,841	5,122	228,348

# Balance Sheet

as at 30 September 2006

		2006		2005 (restated)	
	Notes	£'000	£'000	£'000	£'000
NON CURRENT ASSETS					
Investments at fair value through profit or loss	8		239,288		186,628
CURRENT ASSETS					
Investments at fair value through profit or loss	8	44,387		40,386	
Debtors	9	189		87	
Cash and short term deposits		7,700		2,152	
		<u>52,276</u>		<u>42,625</u>	
CREDITORS AMOUNTS FALLING					
DUE WITHIN ONE YEAR	10	<u>(1,762)</u>		<u>(905)</u>	
NET CURRENT ASSETS			50,514		41,720
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>289,802</u>		<u>228,348</u>
CAPITAL AND RESERVES					
Called up share capital	11		354		354
Share premium	12		77,775		77,775
Special reserve	12		79,148		79,148
Capital redemption reserve	12		1		1
Capital reserve realised	12		103,234		60,107
Capital reserve unrealised	12		22,185		5,841
Revenue reserve	12		7,105		5,122
TOTAL SHAREHOLDERS' FUNDS			<u>289,802</u>		<u>228,348</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests (ordinary shares)			289,767		228,313
Non equity interests (founder shares)	11		<u>35</u>		<u>35</u>
			<u>289,802</u>		<u>228,348</u>
NET ASSET VALUE PER EQUITY SHARE	14		182 1p		143 5p

The financial statements on pages 27 to 41 were approved by the Board on 1 December 2006 and were signed on its behalf by

Scott Dobbie CBE, Chairman  
1 December 2006



# Cashflow Statement

for the year ended 30 September 2006

			2006		2005
	Notes	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13		5,029		3,827
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(142)		(238)
NET CASH OUTFLOW FROM TAXATION			(758)		(909)
FINANCIAL INVESTMENT					
Purchase of investments	8	(127,697)		(110,777)	
Disposal of investments	8	132,153		111,766	
NET CASH INFLOW FROM FINANCIAL INVESTMENTS			4,456		989
ORDINARY DIVIDENDS PAID			(2,865)		(1,910)
NET CASH INFLOW BEFORE FINANCING			5,720		1,759
NET CASH OUTFLOW FROM FINANCING			—		—
INCREASE IN CASH			5,720		1,759
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
Increase in cash as above			5,720		1,759
Currency movements			(172)		151
MOVEMENT IN NET FUNDS IN THE PERIOD			5,548		1,910
Opening net funds			2,152		242
CLOSING NET FUNDS			7,700		2,152
REPRESENTED BY					
Cash and short term deposits			7,700		2,152

## 1 Accounting Policies

### (a) Basis of preparation and going concern

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of investments, and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (issued January 2003 and revised in December 2005). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

The implementation of the 2005 Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ("SORP") has resulted in changes to the presentation of total returns. Previously the revenue column of the Statement of Total Return was deemed to be the profit and loss account of the Company. An Income Statement is now presented, which still shows information on capital and revenue returns, although it is the total return column which now represents the profit and loss account of the Company.

The financial statements, and the net asset value per equity share figures, have been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). The new Financial Reporting Standards, issued as part of the programme to converge UK GAAP with International Financial Reporting Standards ("IFRS"), were applicable for the accounting period ended 30 September 2006 and the financial statements for the year ended 30 September 2005 have also been restated (see note 18). The main change arising from these revisions to UK GAAP, in relation to the Company's financial statements, is that dividends to shareholders declared after the balance sheet date are now shown in the period of payment rather than in the reporting period. Dividends were previously recognised in the Statement of Total Return (now Income Statement), these are now dealt with as an appropriation of equity in the Reconciliation of Movements in Shareholders' Funds.

FRS 20 'Share based payments', FRS 22 'Earnings per Share', FRS 23 'The Effects of Changes in Foreign Exchange Rates' and FRS 26 'Financial Instruments: Measurement' have been adopted in full, but have had no impact on the results for the year and no prior year adjustment has been required. FRS 21 'Events After the Balance Sheet Date' and FRS 25 'Financial Instruments: Disclosure and Presentation' have been adopted and the accounts reflect the revised disclosures. The Directors consider the Company's functional currency to be sterling, as the Company is registered in Scotland, the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

### (b) Revenue, expenses and finance cost

Dividends from quoted investments are included in revenue by reference to the date on which the price is marked ex-dividend. Interest on quoted investments and other interest receivable are dealt with on an effective yield basis. Income from unquoted investments is included when the right to receipt is established. All expenses are accounted for on an accruals basis. Expenses are charged through the Income Statement, except as follows:

transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Income Statement, and

the Company charges 90% of investment management fees and finance costs to capital, in accordance with the Board's expected long term split of returns between capital gains and income from the Company's investment portfolio.

### (c) Investments at fair value through profit or loss

Investments have been designated upon initial recognition as fair value through the profit or loss. Investments are recognised as at the date of commitment to the fund and removed when the fund is wound up. Subsequent to initial recognition, investments are valued at fair value as detailed below. Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Income Statement and are ultimately recognised in the unrealised reserve.

**Unquoted** Unquoted investments are stated at the Directors' estimate of fair value and follow the recommendations of the EVCA and BVCA. This is normally the latest valuation placed on a fund by its manager, adjusted if necessary for cashflows between the Company and the fund occurring between the fund manager's valuation date and the Company's balance sheet date. The valuation policies used by the manager in undertaking that valuation will generally be in line with the recommendations of the joint publication from the BVCA and the EVCA, 'International Private Equity and Venture Capital Valuation Guidelines' ("the Guidelines"). However, the valuation adopted by the Company may depart from the valuation prepared by the manager of the fund if, in the opinion of the Company's Manager, an upward adjustment is not prudent. A downward adjustment may also be made if the Company's Manager receives relevant information which has not been notified to it by the manager of the fund or if the Company's Manager forms a more cautious view than that held by the manager of the fund.



# Notes to the Accounts

The Income Statement reflects the total capital gains, both realised and unrealised, while note 12 to the financial statements splits out the realised and unrealised gains. Due to the valuation of the private equity fund interests held by the Company being performed at the fund level, and not at the underlying investment level, and net realised gains only being recognised following transactions advised by the underlying fund manager, the amounts which are accounted for in the movement in unrealised appreciation/depreciation on unquoted investments relate to the difference between the book cost and valuation of the fund investments.

**Quoted** Quoted investments are valued at bid prices, discounted, where applicable, to recognise any restriction on sale or lack of liquidity.

(d) Dividends payable Interim and final dividends are recognised in the period in which they are paid.

(e) Realised capital reserve – Gains or losses on investments realised in the year that have been recognised in the Income Statement are transferred to the realised capital reserve. In addition, any prior unrealised gains or losses on such investments are transferred from the unrealised capital reserve to the realised capital reserve on disposal of the investment.

(f) Unrealised capital reserve – Increases and decreases in the fair value of investments are recognised in the Income Statement and are then transferred to the unrealised capital reserve.

(g) Deferred taxation – Deferred taxation is recognised in respect of all temporary differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the balance sheet date, measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying temporary differences can be deducted. Temporary differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent reporting periods.

Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain such approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(h) Overseas currencies Overseas assets and liabilities are translated at the exchange rate prevailing at the Company's balance sheet date. Gains or losses on re-translation of investments held at the year end are accounted for through the unrealised capital reserve. Gains and losses on the translation of overseas currency balances held at the year end are accounted for through the realised capital reserve.

Rates of exchange to sterling as at 30 September were:

	2006	2005
Euro	1 4746	1 4674
US dollar	1 8680	1 7691

Transactions in overseas currencies are translated at the exchange rates prevailing on the date of the transaction.

	Year to 30 September 2006 £'000	Year to 30 September 2005 £'000
--	---------------------------------------	---------------------------------------

## 2 Income

Income from investments		
Income from unquoted investments	5,896	5,131
Income from 'AAA' rated money market funds	1,550	669
	<u>7,446</u>	<u>5,800</u>
Other income		
Interest receivable on cash	186	146
Other income	4	9
	<u>7,636</u>	<u>5,955</u>

# Notes to the Accounts

	Year to 30 September 2006 £'000	Year to 30 September 2005 £'000
<b>3 Investment management fee</b>		
Investment management fee	2,149	1,647
Charged against capital reserve realised	(1,934)	(1,482)
	<u>215</u>	<u>165</u>

The investment management fee payable to Standard Life Investments (Private Equity) Limited is 0.8% per annum, paid quarterly in arrears, of the investments and other assets of the Company less the aggregate of the liabilities of the Company and any subsidiaries. The investment management fee is allocated 90% to the capital reserve realised and 10% to the revenue reserve. The management agreement between the Company and Standard Life Investments (Private Equity) Limited is terminable by either party on one year's notice.

<b>4 Administrative expenses</b>		
Secretarial and administration fee	140	116
Directors' fees	105	105
Auditors' remuneration audit related	30	29
other	3	—
Printing and postage	16	10
Legal fees	22	7
Fees and subscriptions	31	30
Professional and consultancy fees	71	36
Other expenses	58	42
	<u>476</u>	<u>375</u>

The secretarial and administration fee is payable to Edinburgh Fund Managers plc at the rate of £74,237 (excluding VAT) plus 0.035% of net assets in excess of £100 million per annum, and is adjusted annually in line with the retail prices index. The secretarial and administration agreement between the Company and Edinburgh Fund Managers plc is terminable by either party on three months notice.

The emoluments of the Chairman, who was the highest paid Director, were £29,000 (2005 £29,000). The emoluments of each of the other directors were £17,500 (2005 £17,500), except for H Buchan who received an additional £3,000 as Senior Independent Director and Chairman of the Audit Committee.

Irrecoverable VAT has been shown under the relevant expense line above.

<b>5 Taxation</b>		
(a) Analysis of charge in year		
UK corporation tax on return on ordinary activities	1,447	1,123
Irrecoverable foreign tax	90	88
Overprovision from previous period	(90)	—
	<u>1,447</u>	<u>1,211</u>

# Notes to the Accounts

	Year to 30 September 2006			Year to 30 September 2005		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(b) Factors affecting tax charge for year						
Return on ordinary activities before taxation	6,926	58,840	65,766	5,396	55,534	60,930

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%) The differences are explained below

Return on ordinary activities multiplied by standard rate of corporation tax in the UK	2,078	17,652	19,730	1,619	16,660	18,279
Capital gains*	—	(17,652)	(17,652)	—	(16,660)	(16,660)
Irrecoverable foreign tax	90	—	90	88	—	88
Overprovision from previous period	(90)	—	(90)	—	—	—
Tax relief for expenses taken to capital	—	(631)	(631)	—	(496)	(496)
Current tax charge for year	2,078	(631)	1,447	1,707	(496)	1,211

There is no provision for deferred tax required at the year end or the prior year end

\*The Company carries on business as an investment trust company with respect to section 842 of the Income and Corporation Taxes Act 1988 As such any capital gains are exempt from UK taxation

## 6 Dividend on ordinary shares

Amount recognised as distribution to equity holders in the period

Dividend paid in the year ended 30 September 2006 of 1 80p (2005 1 20p)  
per ordinary share paid on 8 February 2006 (3 February 2005)

2,865 1,910

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements

Set out below are the total dividend paid and proposed in respect of the financial year, which is the basis on which requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered The revenue available for distribution by way of a dividend for the year is £4,848,000 (2005 £3,689,000)

Proposed final dividend of 2 40p (dividend proposed at 30 September 2005 1 80p)  
per ordinary share due to be paid 7 February 2007 (8 February 2006)

3,820 2,865

## 7 Return per ordinary share

The return per ordinary share is based on the following figures

	Year to 30 September 2006		Year to 30 September 2005	
	p	£'000	p	£'000
Revenue return	3 05p	4,848	2 32p	3,689
Capital return	37 36p	59,471	35 21p	56,030
Total return	40 41p	64,319	37 53p	59,719

Weighted average number of ordinary shares in issue

159,150,000

159,150,000

## Notes to the Accounts

	Year to 30 September 2006		Year to 30 September 2005	
	p	£'000	p	£'000
The fully diluted return per ordinary share is based on the following figures				
Revenue return (fully diluted)	3 01p	4,848	2 32p	3,689
Capital return (fully diluted)	36 90p	59,471	35 21p	56,030
Total return (fully diluted)	39 91p	64,319	37 53p	59,719

The fully diluted returns have been calculated on the basis set out in Financial Reporting Standard 14 'Earnings per share' ('FRS 14'). For the year ended 30 September 2006 this is based on 164,004,979 shares, comprising 159,150,000 ordinary shares and 4,854,979 founder A shares capable of conversion. For the year ended 30 September 2005 no founder A shares were capable of conversion, so there was no dilutive effect on returns.

### 8 Investments

	AAA' Rated Money Market Funds £'000	Unquoted £'000	Total £'000	2005 Total £'000
Fair value through profit or loss				
Opening market value	40,386	186,628	227,014	170,967
Opening unrealised (appreciation)/depreciation	(152)	(5,689)	(5,841)	10,093
Opening book cost	40,234	180,939	221,173	181,060
Movements in the year				
Additions at cost	52,396	75,301	127,697	110,777
Disposal of investments	(47,682)	(84,471)	(132,153)	(111,766)
Fund investments wound up	—	(28)	(28)	—
	44,948	171,741	216,689	180,071
Realised (loss)/gains on investments	(414)	45,215	44,801	41,102
Closing book cost	44,534	216,956	261,490	221,173
Closing unrealised (depreciation)/appreciation	(147)	22,332	22,185	5,841
Closing market value	44,387	239,288	283,675	227,014

	Year to 30 September 2006 £'000	Year to 30 September 2005 £'000
Gains on investments		
Net realised gains on investments	44,801	41,102
Fund investments wound up	(28)	—
Net unrealised appreciation on investments	16,344	15,934
	61,177	57,036

#### Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through the profit or loss. These have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

Expenses in respect of new unquoted fund investments	33	40
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# Notes to the Accounts

	Year to 30 September 2006 £'000	Year to 30 September 2005 £'000
<b>9 Debtors</b>		
Amounts falling due within one year		
Accrued income	167	78
Prepayments	22	9
	<u>189</u>	<u>87</u>

	Year to 30 September 2006 £'000	Year to 30 September 2005 (restated) £'000
<b>10 Creditors amounts falling due within one year</b>		
Taxation	869	335
Management fee	687	450
Secretarial fee	40	33
Sundry creditors	101	70
Loan commitment fee	65	17
	<u>1,762</u>	<u>905</u>

	£	£
<b>11 Called up share capital</b>		
Authorised		
200,000,000 ordinary shares of 0.2p	400,000	320,000
17,500,000 founder A shares of 0.2p	35,000	35,000
17,500,000 founder B shares of 0.2p	35,000	35,000
	<u>470,000</u>	<u>390,000</u>
Issued		
159,150,000 (2005 159,150,000) ordinary shares of 0.2p fully paid	318,300	318,300
17,500,000 (2005 17,500,000) founder A shares of 0.2p partly paid	17,687	17,687
17,500,000 (2005 17,500,000) founder B shares of 0.2p partly paid	17,686	17,686
	<u>353,673</u>	<u>353,673</u>

On 2 May 2001, 14,835,625 founder A shares and 14,835,625 founder B shares were allotted each partly paid up at 0.1p per share and 2,664,375 founder A shares and 2,664,375 founder B shares were allotted each partly paid up at 0.11p per share. The founder shares are entitled to a fixed non cumulative dividend of 0.05% per annum on the nominal amount per share paid up. The founder shares do not carry any right to vote, except in the case of changes to class rights.

Following the end of the founder A performance period on 30 September 2006, 4,854,979 founder A shares now have the right to convert into an equivalent number of ordinary shares at a conversion price of £1 per ordinary share at any time up to 31 December 2013.

At the AGM held on 30 January 2006 the authorised share capital was increased by 40,000,000 ordinary shares of 0.2p each.

# Notes to the Accounts

## 12 Reserves

	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Opening balances	77,775	79,148	1	60,107	5,841	5,122
Realised gains on unquoted investments	—	—	—	45,215	—	—
Fund investments wound up	—	—	—	(28)	—	—
Net realised losses on sale of 'AAA' rated money market funds	—	—	—	(414)	—	—
Management fee charged to capital	—	—	—	(1,934)	—	—
Loan non utilisation fee charged to capital	—	—	—	(171)	—	—
Tax relief on management and non-utilisation fees above	—	—	—	631	—	—
Currency (losses) on cash balances	—	—	—	(172)	—	—
Movement in unrealised appreciation in unquoted investments	—	—	—	—	16,600	—
Fund investments wound up	—	—	—	—	43	—
Movement in unrealised depreciation on 'AAA' rated money market funds	—	—	—	—	(299)	—
Return on ordinary activities after taxation	—	—	—	—	—	4,848
Dividends paid during the period	—	—	—	—	—	(2,865)
Closing balances	77,775	79,148	1	103,234	22,185	7,105

Court approval was given on 27 September 2001 for 50% of the initial premium arising on the issue of the ordinary share capital to be cancelled and transferred to a special reserve. The special reserve is a distributable reserve and may be applied in any manner as a distribution, other than by way of a dividend.

	Year to 30 September 2006 £'000	Year to 30 September 2005 (restated) £'000
<b>13 Reconciliation of net return on ordinary activities before finance costs and taxation to net cash inflow from operating activities</b>		
Net total return before finance costs and taxation	65,956	61,120
Adjustment for		
Realised gains on investments	(44,801)	(41,102)
Fund investments wound up	28	—
Unrealised gains on investments	(16,344)	(15,934)
Currency losses/(gains)	172	(151)
Increase in accrued income	(89)	(22)
(Increase)/decrease in prepayment	(13)	6
Increase/(decrease) in creditors	275	(2)
Tax deducted from non-UK income	(155)	(88)
	5,029	3,827

# Notes to the Accounts

## 14 Net asset value per ordinary share

The net asset value per ordinary share and ordinary shareholders' funds are calculated in accordance with the Company's articles

	30 September 2006	30 September 2005 (restated)
Basic		
Ordinary shareholders' funds	£289,767,000	£228,313,000
Number of ordinary shares in issue	159,150,000	159,150,000
Net asset value per ordinary share	182 1p	143 5p
Diluted		
Ordinary shareholders' funds	£294,621,979	—
Number of ordinary shares in issue	164,004,979	—
Net asset value per ordinary share	179 6p	—
	Year to 30 September 2006 £'000	Year to 30 September 2005 £'000

## 15 Commitments and contingent liabilities

Outstanding calls on investments	307,704	184,819
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This represents commitments made to fund investments remaining undrawn

## 16 Parent undertaking and related party transactions

The ultimate parent undertaking is Standard Life plc. The accounts of the ultimate parent undertaking are the only group accounts incorporating the accounts of the Company.

Standard Life and the Company have entered into a relationship agreement which provides that, for so long as Standard Life and its associates exercise, or control the exercise of 30 per cent or more of the voting rights of the Company, Standard Life will not seek to nominate to the Board directors who are not independent of Standard Life and will not take, in its capacity as a beneficial holder of any ordinary shares, any action which would be detrimental to the general body of shareholders. For this purpose any action which has the support or recommendation of a majority of the Directors shall be deemed not to be detrimental. Copies of the accounts of the ultimate parent undertaking can be obtained at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

The Manager is a wholly owned subsidiary of Standard Life and therefore is a related party of the Company. During the year ended 30 September 2006 the Manager charged management fees totalling £2,149,000 (2005 £1,647,000) to the Company in the normal course of business. The balance of management fees outstanding at 30 September 2006 was £687,000 (30 September 2005 £450,000).

No other related party transactions were undertaken during the year ended 30 September 2006.

## 17 Risk management, financial assets and liabilities

### Financial assets and liabilities

As an investment trust, the Company holds assets in the form of financial instruments for its liquidity and in respect of its fixed asset investments, which is typical of equity investing. The assets and liabilities are managed with the overall objective of achieving long term capital growth for shareholders. Short term debtors and creditors are excluded from disclosure.

### Risk management

The Company's investments are in private equity funds, which are typically unquoted limited partnerships. These are valued by their managers in line with the Guidelines, which provide for a fair value basis of valuation, with underlying investments usually held at cost for the first year, unless

## Notes to the Accounts

there is a reason for them to be written down. The funds may hold investments that have become quoted and these will be marked to market and discounted to acknowledge any restriction placed on them. Risk is spread over a range of economies and industrial sectors, thereby reducing excess exposure to particular areas. The Manager's investment review and monitoring process is used to identify and, where possible, reduce risk of loss of value in the Company's investments. Surplus funds are invested in 'AAA' rated money market funds, which generate securities income rather than interest in order to meet the income requirements of investment trust status. The money market fund investments are monitored by the treasury team of Standard Life Investments for credit risk and interest rate risk. The Directors consider that the valuation of the assets on the Company's balance sheet represents their fair value.

### Market risk

The Company is at risk of the economic cycle impacting the quoted markets and hence potentially the pricing of investment deals, the valuation of underlying investments and the price and timing of exits. By having a diversified and rolling portfolio of investments the Company is well placed to take advantage of economic cycles.

### Currency risk

The Company has assets and fund commitments in currencies other than sterling. The Manager takes account of the balance of assets and liabilities in each currency. It is expected that the majority of the Company's investments and commitments will be denominated in euros. Accordingly, the majority of the Company's liquidity is currently held in that currency. No currency swaps or forwards were used during the year. The table below sets out the Company's currency exposure.

### Currency exposure at 30 September 2006

	Effective Interest Rate %	Local Currency '000s	Foreign Exchange Rate	Sterling Equivalent £'000
<b>Unquoted investments</b>				
Sterling		46,539	—	46,539
Euro		227,943	1.4746	154,580
US Dollar		71,298	1.8680	38,169
<b>'AAA' rated money market funds</b>				
Sterling	4.65	31,150	—	31,150
Euro	2.96	14,980	1.4746	10,159
US Dollar	5.13	5,750	1.8680	3,078
<b>Cash and Liquidity</b>				
Sterling	3.728	1,137	—	1,137
Euro	1.026	1,895	1.4746	1,285
US Dollar	2.336	9,859	1.8680	5,278
<b>Total</b>				<b>291,375</b>
<b>Commitments</b>				
Sterling		20,322	—	20,322
Euro		380,053	1.4746	257,733
US Dollar		55,383	1.8680	29,649
<b>Total</b>				<b>307,704</b>



# Notes to the Accounts

## Currency exposure at 30 September 2005

	Effective Interest Rate %	Local Currency '000s	Foreign Exchange Rate	Sterling Equivalent £'000
Unquoted investments				
Sterling		47,037	—	47,037
Euro		155,740	1.4674	106,137
US Dollar		59,184	1.7691	33,454
'AAA' rated money market funds				
Sterling	4.37	10,250	—	10,250
Euro	1.94	27,880	1.4674	19,000
US Dollar	3.44	19,700	1.7691	11,136
Cash and Liquidity				
Sterling	3.42	446	—	446
Euro	0.42	2,352	1.4674	1,603
US Dollar	1.55	182	1.7691	103
Total				<u>229,166</u>
Commitments				
Sterling		8,343	—	8,343
Euro		220,114	1.4674	150,008
US Dollar		46,824	1.7691	26,468
Total				<u>184,819</u>

## Over commitment risk

To minimise "cash drag", when a significant percentage of the Company's NAV is held in cash or 'AAA' rated money market funds rather than unquoted investments, the Manager and the Board agree aggregate commitments to new fund investments which are greater than the Company's liquid assets. As private equity funds generally draw down cash over a five year investment period, the funds which are investing are offset by more mature funds, which are realising their investments and distributing cash back to the Company. The risk of having an obligation to pay out more cash than is available on any particular day has been managed by the setting up of a £40 million committed revolving credit facility.

## Liquidity risk

The Company holds its uninvested assets in the form of 'AAA' rated money market funds, cash balances and deposits, all of which are repayable on demand. Cash balances are maintained with the Company's custodian. 'AAA' rated money market funds and deposits are placed with third parties and monitored by the treasury team of Standard Life Investments. No dealing in derivatives was undertaken during the year. The Company has a £40 million committed revolving credit facility with The Royal Bank of Scotland plc. As at 30 September 2006 this facility remained undrawn. Investments in unquoted equity are less marketable than quoted equity, as they have to be sold privately via a secondary market, rather than on a recognised investment exchange.

## Credit risk

The Company places funds with authorised deposit takers from time to time and is potentially at risk from the failure of any such institution of which it is a creditor.

## Interest rate risk

'AAA' rated money market funds, cash and short term deposits are held in floating rate accounts. The benchmark that determines the interest received or paid on sterling balances is the sterling bank base rate which was 4.75% as at 30 September 2006 (30 September 2005: 4.50%).

# Notes to the Accounts

Interest on US dollar and euro balances is based on variable interest rates, which move in line with US prime rates and Euribor rates respectively. At 30 September 2006 these rates were 8.25% and 3.27% respectively (30 September 2005: 6.75% and 2.12%). Effective interest rates earned at the year end are detailed in the table above.

## 18 Restatements

As stated in the accounting policies, the Board has elected to continue to adopt UK GAAP and therefore complies with the new Financial Reporting Standards issued as part of the programme to converge UK GAAP with IFRS. Figures as at 30 September 2005 have been restated and the impact is shown below.

Under FRS 21 'Events after the Balance Sheet Date' dividends should only be accrued in the accounts if they are a liability at the balance sheet date. Accordingly, dividends are now recognised in the period in which they are declared and authorised, not in the period in which they are proposed. No provision therefore has been made for the final dividend on the ordinary shares for the year ended 30 September 2006. The financial statements for the year ended 30 September 2005 have been restated to remove the final dividend that was accrued at that date. Dividends are no longer recognised through the Income Statement, instead they are taken to the Reconciliation of Movements in Shareholders' Funds as an appropriation of equity.

	As at 30 September 2005 £'000
Reconciliation of Balance Sheets	
Net assets as previously reported	225,483
Reversal of provision of final dividend	2,865
Restated net assets	228,348
	Year ended 30 September 2005 £'000
Reconciliation of the Income Statement	
Total transfer to reserves as originally reported in the Statement of Total Return (now Income Statement)	824
Add: originally reported 2005 dividends on Ordinary shares*	2,865
Restated total transfer to reserves	3,689
* Now shown in Reconciliation of Movements in Shareholders' Funds	
	Year ended 30 September 2005 p
Reconciliation of Net Asset Value per share	
Net asset value as previously reported	141.70
Reversal of provision of final dividend	1.80
Restated net asset value	143.50

# Information for Investors

## Registered address

This report has been mailed to shareholders at the address shown on the Company's share register. Any change of address should be advised to the Registrars at the following address under the signature of the shareholder.

Lloyds TSB Registrars Scotland  
PO Box 28448  
Finance House  
Orchard Brae  
Edinburgh EH4 1WQ  
United Kingdom

Registrars' shareholder helpline 0870 601 5366

Registrars' broker helpline 0906 559 6025

If your shares are held via a nominee you should contact them with any change of address.

## Ordinary share price and net asset value

The Company's ordinary share price is published in the Financial Times, The Scotsman, The Herald and The Daily Telegraph.

The Stock Exchange code for the Company's ordinary shares is SEPL.

In view of the unlisted nature of the Company's investment portfolio, the NAV is announced to the Stock Exchange quarterly.

## ISA (Individual Savings Accounts)

Lump sums and regular savings ISAs in the Company's ordinary shares are offered by Standard Life Savings Limited. These provide a tax efficient vehicle for investors wishing to invest up to £7,000 per annum. There is an initial charge of 1.25% and no annual management charge for the plans. Further details are available from Standard Life Savings Limited, 12 Blenheim Place, Edinburgh EH7 5ZR, or by telephoning 0845 602 4247.

## Investment Manager

Standard Life Investments (Private Equity) Limited  
1 George Street  
Edinburgh EH2 2LL

Telephone 0131 245 0055

Fax 0131 245 6105

Standard Life Investments (Private Equity) Limited is authorised and regulated by the Financial Services Authority and is a subsidiary of Standard Life Investments Limited. Standard Life Investments Limited may record and monitor telephone calls to help improve customer service.

# Financial Calendar

December – Preliminary results for the year announced

December – Annual report and accounts published

January – Annual General Meeting

March – Quarterly trading statement announced

June – Interim results announced

June – Interim report published

September – Quarterly trading statement announced

The Annual General Meeting will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ on 29 January 2007 at 12.30pm.

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of Standard Life European Private Equity Trust PLC (the "Company") will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh on 29 January 2007 at 12 30pm, for the following purposes

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

- 1 That the report and accounts for the year ended 30 September 2006, the Directors' report, the Directors' remuneration report and the independent auditors' report be received
- 2 That the Directors' remuneration report for the year ended 30 September 2006 be approved
- 3 That a final dividend of 2 40p per ordinary share be declared
- 4 That Mr Dobbie, who retires from office by rotation, be re-elected as a Director
- 5 That Mr Edwards, who retires from office by rotation, be re-elected as a Director
- 6 That Mr Sherling be elected as a Director
- 7 That Mr Workman be elected as a Director
- 8 That PricewaterhouseCoopers LLP be reappointed as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors
- 9 That, in substitution for any existing power under section 80 of the Companies Act 1985 (the "Act"), but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2)

of the Act) up to an aggregate nominal amount of £81,700, such authority to expire on 29 April 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired

To consider and, if thought fit, pass the following as special resolutions

- 10 That, subject to the passing of resolution numbered 9 in the notice of the meeting and in substitution for any existing power under section 95 of the Companies Act 1985 (the "Act"), the Directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of sections 94(2) to 94(3A) of the Act) for cash pursuant to the authority conferred by the resolution numbered 8 in the notice of the meeting as if section 89(1) of the Act did not apply to the allotment  
This power
  - (i) expires on 29 April 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired, and
  - (ii) shall be limited to
    - (a) the allotment of equity securities in connection with an issue in

favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of a regulatory body or stock exchange, and

- (b) the allotment of ordinary shares for cash otherwise than pursuant to paragraph (a) up to an aggregate nominal amount equal to £15,915

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution 10 the words "pursuant to the authority conferred by the resolution numbered 9 in the notice of the meeting" were omitted

- 11 That, in substitution for any existing authority, the Company be generally and unconditionally authorised, in accordance with section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 0 2p each ("ordinary shares") in the share capital of the Company, provided that.
  - (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 14 99 per cent. of the Company's issued ordinary share capital as at the date on which this resolution is passed,
  - (ii) the minimum price which may be paid for an ordinary share shall be 0 2p,
  - (iii) the maximum price (exclusive of expenses) which may be paid for an

# Notice of Meeting

ordinary share shall be an amount being not more than the higher of (a) 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the ordinary shares for the five business days immediately preceding the date of purchase and (b) the higher of the price of the last independent trade and the highest current independent bid relating to an ordinary share on the trading venue where the purchase is carried out, and

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 29 April 2008 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2008, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract

By order of the board

*Ubeeni*  
*neckenie*  
Edinburgh Fund Managers plc  
Company Secretary

Edinburgh, 21 December 2006

## Notes

The final dividend, if approved, will be paid on 7 February 2007 to ordinary shareholders on the Company's share register as at the close of business on 5 January 2007. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a shareholder of the Company.

A form of proxy for use by ordinary shareholders at the Annual General Meeting is enclosed with this document. Proxies must be lodged with the Company's registrar, Lloyds TSB Registrars, The Causeway, Worthing BN99 6ZR, not less than 48 hours before the time appointed for the meeting. Completion of the form of proxy will not prevent an ordinary shareholder from attending the meeting and voting in person.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those ordinary shareholders having their name entered on the Company's share register not later than 48 hours before the time appointed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Company's share register after that time shall be disregarded in determining the rights of any ordinary shareholder to attend and vote at the meeting, notwithstanding any provision in any enactment, the articles of association of the Company or other instrument to the contrary.

A holding of founder shares does not entitle the holder thereof to attend or vote at the meeting.

No Director has a service contract with the Company. The terms and conditions of appointment of the Directors will be available for inspection at the Company's registered office during normal business hours and for at least 15 minutes before and during the meeting.

# Form of Proxy

Standard Life European Private Equity Trust PLC

For use at the Annual General Meeting of the Company convened for 12 30pm on Monday, 29 January 2007

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_

BLOCK  
CAPITALS  
PLEASE

being (a) shareholder(s) of Standard Life European Private Equity Trust PLC, hereby appoint the Chairman of the Meeting or (see note 1)

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 Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ on 29 January 2007 at 12 30pm, 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/she thinks fit or abstain

Ordinary Resolution	For	Against	Abstain
1 To receive the report and accounts for the year ended 30 September 2006			
2 To approve the Directors' Remuneration Report for the year ended 30 September 2006			
3 To approve a final dividend of 2 40p per ordinary share			
4 To re-elect Mr Scott Dobbie as a Director			
5 To re-elect Mr Simon Edwards as a Director			
6 To elect Mr Clive Sherling as a Director			
7 To elect Mr Donald Workman as a Director			
8 To re appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration			
9 To authorise the Directors to allot shares in the Company up to an aggregate nominal amount of £81,700			

Special Resolution	For	Against	Abstain
10 To disapply statutory pre-emption rights			
11 To renew the Company's authority to purchase its own ordinary shares			

Signed \_\_\_\_\_ Date \_\_\_\_\_

## Notes

- 1 If you wish to appoint as your proxy some person other than the Chairman of the Meeting please insert in block capitals the full name of the person of your choice, delete the words 'the Chairman of the Meeting' and initial the alteration A proxy need not be a shareholder of the Company
- 2 In the case of a corporation, this form of proxy must be executed under seal or signed by an officer, attorney or other person duly authorised to sign it.
- 3 To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notationally certified copy of such power of attorney, must be deposited at the offices of the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing BN99 6ZR, not later than 48 hours before the time appointed for the Meeting
- 4 In the case of joint holders, the signature of any one joint holder is sufficient. If more than one joint holder tenders a vote in person or by proxy, the vote of the person whose name stands first in the Company's share register will be accepted to the exclusion of the votes of the other joint holders
- 5 Completion of this form of proxy will not prevent a shareholder from attending the Meeting and voting in person should he or she so wish
- 6 To have the right to attend and vote at the Meeting (and also for the purpose of determining how many votes a shareholder may cast on a poll), a shareholder must first have his or her name entered on the Company's share register not later than 48 hours before the time appointed for the Meeting Changes to entries in the register after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the Meeting

RESPONSE LICENCE NUMBER  
SEA 10850

1

LLOYDS TSB REGISTRARS  
THE CAUSEWAY  
WORTHING  
BN99 6ZR

## Corporate Information

**Registered Office**

1 George Street  
Edinburgh EH2 2LL  
United Kingdom

**Investment Manager**

Standard Life Investments  
(Private Equity) Limited  
1 George Street  
Edinburgh EH2 2LL  
United Kingdom

**Company Secretary and Administrator**

Edinburgh Fund Managers plc  
Donaldson House  
97 Haymarket Terrace  
Edinburgh EH12 5HD  
United Kingdom

**Company Broker**

UBS  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**Solicitors**

Dickson Minto WS  
16 Charlotte Square  
Edinburgh EH2 4DF  
United Kingdom

**Independent Auditors**

PricewaterhouseCoopers LLP  
PO Box 90  
Erskine House  
68 73 Queen Street  
Edinburgh EH2 4NH  
United Kingdom

**Tax Advisers**

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ  
United Kingdom

**Bankers**

JP Morgan Chase Bank  
125 London Wall  
London EC2Y 5AJ  
United Kingdom

**Registrars**

Lloyds TSB Registrars Scotland  
PO Box 28448  
Finance House  
Orchard Brae  
Edinburgh EH4 1WQ  
United Kingdom