

5C 216638

Report and Accounts

for the year ended 30 September 2007



Standard Life European Private Equity Trust PLC

Contents

Objective & Company Summary	1
Financial Summary	2
Chairman's Statement	3
Investment Policy	5
Manager's Review	6
Historical Summary	12
Fund Investments	13
Ten Largest Fund Investments	15
Top 30 Underlying Investments	16
Historical Record	17
Board of Directors	18
Directors' Report	19
Directors' Remuneration Report	28
Statement of Directors' Responsibilities	29
Independent Auditors' Report	30
<i>Financial Statements</i>	
Income Statement	31
Reconciliation of Movements in Shareholders' Funds	32
Balance Sheet	33
Cashflow Statement	34
Notes to the Accounts	35
Information for Investors & Financial Calendar	47
Notice of Meeting	48
Form of Proxy	51
Corporate Information	Inside back cover

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

Company Summary

Investment Manager	SL Capital Partners LLP (formerly Standard Life Investments (Private Equity) Limited)
Shareholders' funds	£385.7 million as at 30 September 2007
Market capitalisation	£362.0 million as at 30 September 2007
Capital structure	<p>159,822,567 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>34,327,433 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 4,182,412 (2006: 4,854,979) founder A shares are now convertible into an equivalent number of ordinary shares. Further details are given on pages 26 and 27</p>
Management fee	<p>0.8% per annum of the net assets of the Company</p> <p>The notice period is one year</p>
Company secretarial and administration fee	<p>£150,000 per annum to be adjusted annually in line with the retail prices index from 1 July 2009</p> <p>The notice period is three months</p>
ISA status	The Company's ordinary shares are eligible for Individual Savings Accounts (ISAs)
AIC membership	The Company is a member of The Association of Investment Companies
Investment policy	Full details of the Company's investment policy can be found on page 5

Financial Summary

Performance	As at 30 September 2007	As at 30 September 2006	As at 30 September 2002	Launch 29 May 2001
Capital return				
Net asset value per ordinary share (undiluted)	241 3p	182 1p	90 3p	98 7p
Net asset value per ordinary share (diluted)	237 7p	179 6p	90 3p	98 7p
Share price	226 5p	183 5p	82 0p	100 0p
FTSE All Share Index ⁽¹⁾	3,316 9	3,050 4	1,801 5	2,852 7
MSCI Europe Index (in Sterling) ⁽¹⁾	1,049 4	921 1	498 8	851 3

Performance percentage change	Year to 30 September 2007 %	5 years to 30 September 2007 %	Since launch %
Capital return			
Net asset value per ordinary share (undiluted)	32 5	167 2	144 5
Net asset value per ordinary share (diluted)	32 3	163 2	140 8
Share price	23 4	176 2	126 5
FTSE All Share Index ⁽¹⁾	8 7	84 1	16 3
MSCI Europe Index (in Sterling) ⁽¹⁾	13 9	110 4	23 3

Income returns, premium and expense ratio	30 September 2007	30 September 2006
Revenue return per ordinary share (undiluted) ⁽²⁾	4 38p	3 05p
Revenue return per ordinary share (diluted)	4 31p	3 01p
Declared dividend per ordinary share	3 50p	2 40p
(Discount)/Premium (difference between share price and net asset value)	(6 1)%	0 8%
Expense ratio		
as a % of average shareholders' funds	0 97%	1 01%

Highs/Lows	High	Low
Share price (mid)	277 3p	183 0p

⁽¹⁾ The Company has no defined benchmark, the indices above are solely for comparative purposes

⁽²⁾ The allocation of the management fee and finance costs between the revenue and capital accounts is 10 90

Results and performance

I am pleased to be able to report for the third consecutive financial year a total return on net assets to shareholders of more than 28.0%. For the year ended 30 September 2007 the Company's NAV grew strongly, increasing by 32.5% to 241.3p (diluted NAV – 237.7p) (30 September 2006 – undiluted NAV 182.1p, diluted NAV 179.6p). The increase was principally due to positive trading at most of the underlying investee companies and, for much of the financial year, a strong market for realisations. As at 30 September 2007 the Company's net assets were £385.7 million (30 September 2006 – £289.8 million).

The closing mid market price of the Company's ordinary shares on 30 September 2007 was 226.5p (30 September 2006 – 183.5p), an increase of 23.4% over the year. Notwithstanding the turbulence and reduced liquidity in credit markets during summer 2007, and the consequential impact on listed equity markets, the Company's shares traded at a premium to the disclosed NAV for virtually all of the year.

Private equity is a long term asset class and should be assessed over appropriate time periods. For the five years ended 30 September 2007 the Company's NAV and share price have both materially out performed the two most relevant stock market indices, increasing by 167.2% and 176.2% respectively, compared to rises of 84.1% in the FTSE All Share Index and 110.4% in the MSCI Europe Index (sterling adjusted). The Company's NAV and share price have also materially out performed these indices over the period from the Company's listing in May 2001 and over the three years ended 30 September 2007.

The Company's practice is to pay a final dividend marginally in excess of the minimum required to maintain investment trust status.

The income received by the Company during the year allows the Board to recommend a final dividend of 3.5p per ordinary share. This is an increase of 45.8% on the 2.4p final dividend declared for the prior financial year. Subject to shareholder approval, this dividend will be paid on 1 February 2008 to shareholders on the Company's share register as at 4 January 2008.

Valuation

The value of the Company's portfolio of 48 private equity fund interests rose over the year through a combination of net new investment activity and unrealised gains. As at 30 September 2007 the value of the portfolio was £322.6 million (30 September 2006 – £239.3 million), of which unrealised gains arising during the year were £5.1 million (year ended 30 September 2006 – £16.6 million). Once again a majority, by value, of the Company's private equity fund interests reported unrealised gains for the year.

Aggregate cash and money market balances rose to £64.2 million as at 30 September 2007 (30 September 2006 – £52.1 million). All of the increase occurred in the second half of the Company's financial year and was the result of some significant realisations of underlying investments. The strong flow of distributions during the year was largely offset by a material uplift in the amount of draw downs, as the Company's fund commitments increased and activity levels were high. At the year end 83.3% of the Company's gross assets (30 September 2006 – 82.1%) was invested in private equity assets.

Exchange rates had a marginally positive impact on NAV over the year, as sterling depreciated by 2.8% relative to the euro and appreciated by 9.1% relative to the US dollar. As at 30 September 2007 the Company had £387.2 million of gross assets, of which £271.6 million (sterling equivalent) comprised euro

denominated assets and £54.1 million (sterling equivalent) dollar denominated assets (30 September 2006 – £291.6 million (gross assets), £166.0 million (euro denominated) and £46.5 million (dollar denominated)).

Investment activity

The first nine months of 2007 saw record levels of activity in the European private equity market, with €160.0 billion of transactions undertaken (nine months ended 30 September 2006 – €124.6 billion). Following the credit market turbulence during summer 2007, however, activity levels have fallen across the European buy out industry, with the most significant impact being on larger potential transactions. For the year ended 30 September 2007 the Company funded £137.6 million of draw downs. This was materially higher than the previous year's total of £75.3 million and was the highest amount drawn in any year since the Company's listing.

The Company also received a record £156.5 million of distributions during the year (year ended 30 September 2006 – £90.3 million). Realisation activity was driven by the growth in the private equity, debt, and mergers and acquisitions markets. Of the distributions received, £89.1 million represented net realised gains and £8.1 million was income (year ended 30 September 2006 – £45.2 million and £5.9 million respectively). The average return on the Company's acquisition cost of realised

Scott Dobbie CBE

Chairman's Statement

investments was 2.6 times (year ended 30 September 2006 – 2.3 times), significantly exceeding the average for the Company since listing of 2.1 times

Six new fund commitments totalling £191.7 million were made during the year, reflecting the strong fund raising environment and the return to the market, with new funds, of a number of managers with whom the Company has previously invested. These new fund commitments were

- £41.9 million to Apax Europe VII,
- £41.9 million to Barclays Private Equity European Fund III,
- £19.6 million to Collier International Partners V,
- £29.7 million to CVC Tandem,
- £34.9 million to Industri Kapital 2007, and
- £23.7 million to Terra Firma Capital Partners III

All of these funds are buy out funds and are predominantly focused on Europe, with the exception of Collier International Partners V which specialises in global secondary private equity opportunities. In terms of manager and portfolio continuity, Apax Europe VII is the seventh Apax fund, CVC Tandem is the fourth CVC fund and Barclays Private Equity European Fund III is the third Barclays fund in which the Company has invested.

Notwithstanding record draw downs, the new fund commitments resulted in the Company's aggregate outstanding commitments rising to £366.0 million as at 30 September 2007 (30 September 2006 – £307.7 million). These commitments will be funded from the Company's existing cash and money market holdings, distributions received from the portfolio of fund investments and, if necessary, the use of bank borrowings. As at

30 September 2007 the Company's new £60 million committed revolving credit facility with The Royal Bank of Scotland plc remained undrawn. Of the Company's outstanding fund commitments as at 30 September 2007 95.3% had been outstanding for less than 3 years, reflecting the activity and growth in the European private equity market in recent years.

The Board

Mark Tyndall's principal business interests have become more demanding of his time and, to the regret of his colleagues, he has decided to retire from the Board after the forthcoming Annual General Meeting. Mark, who has served as a Director since the Company's listing in May 2001, has wide experience of investment management and has made a significant contribution to all aspects of the Company's business. The Board will miss his wise counsel and I would like, on behalf of shareholders, to thank Mark for all he has done for the Company and to wish him well for the future.

SL Capital Partners LLP

At an Extraordinary General Meeting held on 24 September 2007, shareholders consented to changes to the Company's Articles of Association to facilitate a proposed reorganisation of the Company's Manager. On 1 October 2007 the Company's Manager became SL Capital Partners LLP. This did not involve any significant change to the terms of the investment management agreement, or, critically, to the team of individuals that manages the Company.

Outlook

The Company has operated for much of the period since listing in 2001 in an environment sympathetic to private equity. Against this background, the Manager has performed strongly, both in absolute and relative

terms. The recent setback to credit markets makes it likely that the European private equity market will enter a quieter period for draw downs and distributions and that debt levels will be lower. The Board nevertheless believes that the mid to large sized buy out segment, the Company's principal area of focus, will continue to offer a wide range of opportunities and that the managers of the funds in which the Company invests have the skills and resources to generate significant value. The Board remains confident that the Company will continue to deliver attractive returns.

Scott Dobbie CBE
Chairman

27 November 2007

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

The principal focus of the Company is the leading European private equity funds investing in mid to large sized buy outs, typically transactions with an enterprise value of between €200 million and €1.65 billion (approximately £140 million – £1.15 billion sterling equivalent)

The Company holds private equity funds which themselves invest principally in countries in Europe, which the Manager defines as EU Member States, EU Associate Member States and other western European countries. However, the Company has the flexibility to invest up to 20% of its gross assets, at the time of purchase, in private equity funds which invest principally outside Europe

The Company's policy is to maintain a broadly diversified portfolio by country, industry sector, maturity and number of underlying investments. The objective is for the portfolio to comprise around 35–40 "active" private equity 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 Company invests only in private equity funds, but occasionally may hold direct private equity investments or quoted securities as a result of distributions in specie from its portfolio of fund investments. The Company's policy is normally to dispose of such assets where they are held on an unrestricted basis

The Company's non sterling currency exposure is principally to the euro. The Company does not seek to hedge this exposure into sterling,

although any borrowings in euros and other currencies in which the Company is invested would have such a hedging effect

Cash held pending investment is invested in short dated government bonds, money market instruments, bank deposits or other similar investments

To maximise the proportion of invested assets it is the Company's policy to follow an over commitment strategy by making fund commitments which exceed its uninvested capital. In making such commitments, the Manager, together with the Board, will take into account the uninvested capital, the quantum and timing of expected and projected cashflows to and from the portfolio of fund investments and, from time to time, may use borrowings to meet draw downs

The Company's maximum borrowing capacity is defined in its Articles of Association, and, unless otherwise sanctioned by an ordinary resolution of the Company, is an amount equal to the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of the consolidated reserves of the Company, all based on the latest audited consolidated balance sheet. It is expected that bank borrowings would not exceed more than 30% of the Company's net assets

To comply with one of the conditions for approval as an investment trust, the Company will ensure that when all of its holdings in private equity funds are aggregated, no one underlying investment will represent, at the time of purchase, more than 15% by value of all of the Company's investments. The Company will not invest more than 15% of its total assets in other listed investment companies or listed investment trusts

The Board has concluded, after careful consideration, that there is no currently available benchmark which is an appropriate measure of the investment performance of the Company. It has, however, resolved to review this issue at least annually

Information on how the Company has invested its assets with a view to spreading investment risk in accordance with its investment policy during the period under review is set out in the Manager's Review

Manager's Review

Manager

The Manager of the Company is SL Capital Partners LLP ("SL Capital"), which is based in Edinburgh and comprises a team of 13 investment professionals with over 150 years of combined private equity experience. This team manages approximately £4.0 billion of private equity investments on behalf of over 140 clients worldwide, including Standard Life plc ("Standard Life"). SL Capital became the Manager of the Company following a re-organisation of the private equity investment management business of Standard Life. On 1 October 2007, the business and assets of Standard Life Investments (Private Equity) Limited, the previous Manager of the Company, were transferred to SL Capital, a limited liability partnership which is 60% owned by Standard Life and 40% by its nine senior private equity managers.

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 and/or can make sizeable commitments to their funds.

European private equity market

The trends that persisted in the European private equity market throughout 2006 continued for most of 2007, especially in the buy out segment of the market. During the first nine months of 2007 there was a record €151.7 billion of buy out transactions completed, up from €115.0 billion in the comparable period in 2006. Over the same period, the overall number of buy out transactions increased from 538 to 581, with the number of individual transactions in excess of €1.65 billion decreasing marginally from thirteen to twelve. The most notable of these large buy outs was the €16.3 billion buy out of the pharmaceutical retail company, Alliance Boots, by KKR. Interestingly, the small

Type of fund (% of 30 September valuation)

number of buy outs in excess of €1.65 billion accounted for 34.9%, by value, of all buy out transactions undertaken, a decrease from 41.6% in the comparable period in 2006.

The strong deal flow in European buy outs has allowed a number of managers to deploy capital from individual funds much more rapidly than the normal period of four to five years. Consequently, some managers are returning to the market with their next fund offering within two to three years of closing their previous fund. Investors' appetite for investment in European private equity remains strong, especially for high quality managers, and it is likely that access to these managers and funds will continue to be limited. Indeed, in some cases, funds will be closed to new investors. Notable fund raising initiatives completed during 2007 include Apax, Barclays Private Equity and Terra Firma who have raised €10.7 billion, €2.5 billion and €5.4 billion respectively.

Market conditions during the first half of 2007 were favourable for exits and re-capitalisations, helped by the strong trading performance of portfolio companies and the availability of debt on generous multiples and terms. Importantly, trade buyers remained active, using either cash or borrowing facilities to fund acquisitions. Secondary buy outs remain an established exit

route that represents a significant share of total realisations, while rises in listed markets created a favourable background for initial public offerings ("IPO's").

Following the turbulence in the credit markets in summer 2007 the outlook for exits is now less positive. As has been widely reported, increasing defaults on sub-prime mortgages in the US has had an impact throughout the global financial system. As debt has been securitised and sold in increasingly complex forms to banks, hedge funds and other institutional buyers, losses have become widely spread throughout the global financial system, sometimes magnified by the effects of leverage. Consequently, banks providing debt packages for buy-outs are finding that they are unable to syndicate the loans to other institutions and have run out of capacity to support large transactions. Debt availability, therefore, is more limited, with facilities only offered at increased margins and on more stringent terms and conditions.

Fortunately, it is the largest, or 'mega', deals that are being affected the most. Mid to large sized buy out transactions, the Manager's principal area of focus, continue to have reasonable access to debt facilities, as this debt is often not syndicated to the same extent. Initial indications are that the quantum of

debt available as a multiple of earnings has reduced, which has been welcomed by many private equity managers as it should result in a reduction in the acquisition price of companies

This change in market conditions is likely to slow the pace of new transactions and exits over the coming months as managers look for stability to return to the market

Portfolio composition and performance

As at 30 September 2007 the Company's portfolio comprised 48 private equity fund interests and no direct private equity holdings (30 September 2006 – 43 private equity fund interests and no direct private equity holdings) As at that date the Company had five fund investments Pomona Capital V, Pomona Capital VI, Collier International Partners IV, Collier International Partners V and Towerbrook Investors II – which are likely to invest a majority of their capital outside Europe In total these funds represent 7.4% of the Company's gross assets

The split of the Company's portfolio by type of private equity fund is set out in the bar chart on page 6 Details of all of the Company's private equity fund investments, and more detailed information on the ten largest fund investments and thirty largest underlying portfolio companies, can be found on pages 13 to 16

As at 30 September 2007 the value of the Company's portfolio of private equity fund interests was £322.6 million (30 September 2006 £239.3 million) which, together with its money market holdings and current assets less liabilities, resulted in the Company having net assets of £385.7 million (30 September 2006 £289.8 million) This represented an undiluted NAV of 241.3 p (diluted NAV 237.7p) (30 September 2006 – undiluted NAV 182.1 p, diluted NAV 179.6p) A breakdown of the £95.9 million movement in the Company's net assets during the year is detailed in Table 1

Table 1

Movement in net assets	Investment portfolio £'000	Cash and other net assets £'000	Total net assets £'000
Opening balance	239,288	50,514	289,802
Draw downs unquoted investments	137,559	(137,559)	—
Opening cost of unquoted realisations during the period	(59,317)	59,317	—
Realised gains on unquoted investments		89,091	89,091
Income earned		10,671	10,671
Realised losses on 'AAA', & income cash/other assets		(609)	(609)
Conversion of founder shares		666	666
Unrealised gains at constant exchange rate	3,039	—	3,039
Impact of foreign exchange rates	2,064	563	2,627
Expenses and tax		(5,760)	(5,760)
Dividend paid		(3,820)	(3,820)
Closing balance	322,633	63,074	385,707

The valuation of the Company's private equity fund interests for the year ended 30 September 2007 was carried out by the Manager and has been approved by the Board in accordance with the accounting policies set out on page 35 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 European Private Equity and Venture Capital Association's ("EVCA") and the British Private Equity and 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 48 private equity funds in which the Company is invested, 45 of the funds, or 93.8% of the portfolio by value, were valued by their fund managers as at 30 September 2007 and 99.9% of the portfolio by value was valued no earlier than 30 June 2007 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 £5.1 million (year ended 30 September 2006 £16.6 million gain) The unrealised gain on the portfolio arose largely from better trading conditions and cashflow generation at many of the underlying

Manager's Review

investee companies and an uplift in comparable listed valuation multiples as financial markets rose

Information on the valuation movements and realised gains and income for the Company's portfolio for each of the financial years since the Company's listing is set out on page 12. These tables provide a useful summary of the individual movements and the underlying trends in the Company's portfolio over time.

During the year sterling depreciated against the euro, by 2.8% and appreciated against the US dollar by 9.1%. The closing sterling/euro foreign exchange rate was £1/€1.4326 (30 September 2006 £1/€1.4746) and the closing sterling/dollar foreign exchange rate was £1/\$2.0374 (30 September 2006 £1/\$1.8680). The combined effect of foreign exchange movements on the valuation of the portfolio over the year was a 1.3p uplift in NAV. The Board 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 2007 the Company's aggregate cash and money market holdings were £64.2 million (30 September 2006 £52.1 million), of which £56.6 million (30 September 2006 £44.4 million) was held in 'AAA' rated money market funds and £7.6 million (30 September 2006 £7.7 million) was held in bank deposits and cash at bank. 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.

Distributions, gains and income

During the year ended 30 September 2007 the Company's portfolio of private equity fund interests generated aggregate distributions of £156.5 million (year ended 30 September 2006

£90.3 million), comprising net realised gains of £89.1 million (year ended 30 September 2006 £45.2 million) and income of £8.1 million (year ended 30 September 2006 £5.9 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 growth of the European private equity, debt and European mergers and acquisitions markets during the financial year. 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 buyouts. The average return during the year on the Company's acquisition cost of realised investments was 2.6 times (year ended 30 September 2006 – 2.3 times).

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 the last three financial years. A bar chart showing the average return multiple in each financial year is set out below. The rise in the average return multiple since 30 September 2003 can be attributed largely to the strength of the European private equity,

Average Multiple on Investment (X)

debt and mergers and acquisitions markets, together with rising comparable valuation multiples.

The largest distributions, gains and income, broken down by fund, received during the year ended 30 September 2007 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 2007, with £191.7 million committed to six funds. This follows on from an active commitment programme in the previous financial year, when £200.5 million was committed to seven funds. Details of the new fund commitments made in the year ended 30 September 2007 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 2007 the Company had £366.0 million of outstanding fund commitments (30 September 2006 £307.7 million).

Over the period since listing the Company has made £758.6 million of new fund commitments and has funded draw downs of £405.8 million. During this time the Company's outstanding fund commitments less its liquid resources ('AAA' rated money market funds, cash and short term deposits), expressed as a percentage of the Company's disclosed net asset value has varied between 23.7% and 90.7%. A bar chart setting out the relevant percentages at each annual reporting date from listing to 30 September 2007 is set out below.

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. The Manager intends to continue to pursue an over commitment strategy, however, against a background of changing market conditions, it is adopting a slightly more cautious approach.

Draw downs

The Company funded a record £137.6 million of draw downs during the year ended 30 September 2007 (30 September 2006: £75.3 million). Over the last 2 years 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, and regularly reviews, diversification limits with the Manager

Table 2

Largest fund distributions during the year	Aggregate distributions £m	Aggregate realised gains £m	Aggregate income received £m
Advent Global Private Equity IV	22.1	14.5	
CVC Europe III	17.3	10.9	1.4
Charterhouse VII	16.7	8.9	1.3
Candover 2001 Fund	9.2	6.0	0.8
Duke Street Capital V	8.5	1.7	2.1
Third Cinven Fund	7.9	5.2	0.5
Barclays Private Equity European Fund	7.5	4.7	0.2
CVC European Equity Partners IV	7.1	3.1	0.3
Total of largest distributions	96.3	55.0	6.6
Total of all distributions during year	156.5	89.1	8.1

Table 3

New fund commitments	Commitment £m	Type of fund
Apax Europe VII	41.9	Buy out
Barclays Private Equity European Fund III	41.9	Buy out
Collier International Partners V	19.6	Secondary
CVC Tandem	29.7	Buy out
Industri Kapital 2007	34.9	Buy out
Terra Firma Capital Partners III	23.7	Buy out
Total	191.7	

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

regarding the Company's net asset and commitment exposure to both individual private equity funds and their managers. 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 2007, the Company was invested in 48 different private equity funds, which collectively had interests in a total of 489 underlying

Manager's Review

investments (30 September 2006 – 43 funds and 449 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 their investments. Such information is used by the Manager in reviewing the overall 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 2007 and 2006 the Company's private equity fund interests were diversified as set out in the bar charts shown on page 11.

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 to 35% as at 30 September 2007 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 five year category. Many of these investments were made in a more attractive environment 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

Table 4
Largest fund draw downs during the year

	Type of fund	Aggregate draw downs £m
Fourth Cinven Fund	Buy out	16.6
Charterhouse VIII	Buy out	14.1
Candover 2005 Fund	Buy out	9.7
CVC European Equity Partners IV	Buy out	9.2
Permira IV	Buy out	7.9
Barclays Private Equity European Fund III	Buy out	7.8
3i Eurofund V	Buy out	7.8
Apax Europe VII	Buy out	7.6
Total of largest draw downs		80.7
Total of all draw downs during the year		137.6

their underlying investments, with 50% 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

The Company has again enjoyed an excellent year, however, the recent credit market turbulence and the potential wider impact on equity and capital markets indicate a change in conditions. Whilst the exact macro economic implications are currently uncertain, it can be expected that the European private equity market is likely to enter a quieter period. This is likely to result in fewer transactions being concluded and less existing investments being sold, with a commensurate increase in average holding periods for underlying investments. It is also likely that new investments will be funded with lower levels of leverage than seen recently, which hopefully should result in lower purchase price multiples being paid.

Notwithstanding such changes in the market, the key remains one of appropriate manager selection and access, with the Company continuing to focus on those buy out managers that can add value to, and achieve demonstrable change at, underlying investment companies. The Manager believes that the

Company has a premium portfolio of private equity fund interests and that this will continue to generate attractive returns.

SL Capital Partners LLP
27 November 2007

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 annual reporting periods since the Company's 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
Year to 30 September 2002	71.6	36.0	(10.4)	(10.5)	86.7
Year to 30 September 2003	86.7	52.6	(10.2)	(2.2)	126.9
Year to 30 September 2004	126.9	39.9	(26.5)	10.0	150.3
Year to 30 September 2005	150.3	59.1	(39.4)	16.6	186.6
Year to 30 September 2006	186.6	75.3	(39.2)	16.6	239.3
Year to 30 September 2007	239.3	137.6	(59.4)	5.1	322.6

Realised gains and income

Unquoted investments	Distributions £m	Realised gain/loss £m	Income £m	Realisation MOI* x
Period to 30 September 2001	7.5	1.2	—	1.19
Year to 30 September 2002	15.5	3.9	1.2	1.49
Year to 30 September 2003	13.6	2.5	0.9	1.35
Year to 30 September 2004	40.6	11.7	3.5	1.60
Year to 30 September 2005	85.0	40.5	5.1	2.16
Year to 30 September 2006	90.3	45.2	5.9	2.30
Year to 30 September 2007	156.5	89.1	8.1	2.60

*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
Year to 30 September 2002	117.4	113.3	(36.0)	191.0
Year to 30 September 2003	191.0	—	(52.6)	141.6
Year to 30 September 2004	141.6	—	(39.9)	92.1
Year to 30 September 2005	92.1	148.7	(59.1)	184.8
Year to 30 September 2006	184.8	200.5	(75.3)	307.7
Year to 30 September 2007	307.7	191.7	(137.6)	366.0

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 2007

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 net assets
2001	Alchemy Investment Plan	Buy out	8	30 09 2007		12,619	20,827	5.4
2006	Charterhouse VIII	Buy out	7	30 09 2007	22,022	19,287	19,780	5.1
2005	Candover 2005 Fund	Buy out	7	30 09 2007	23,072	17,367	17,616	4.6
2006	Fourth Cinven Fund	Buy out	5	30 09 2007	32,155	16,648	16,831	4.4
2001	Third Cinven Fund	Buy out	10	30 09 2007	2,548	9,169	15,762	4.1
2001	Candover 2001 Fund	Buy out	13	30 09 2007	802	12,807	15,660	4.1
2004	Apax Europe VI	Balanced	21	30 09 2007	3,054	10,177	15,358	4.0
2005	Barclays Private Equity European Fund II	Buy out	30	30 09 2007	3,631	11,687	14,668	3.8
2005	CVC Europe IV	Buy out	14	30 09 2007	7,433	12,375	14,003	3.6
2004	Industri Kapital 2004	Buy out	10	30 09 2007	1,465	7,837	12,972	3.4
2001	Advent Global Private Equity IV	Buy out	10	30 09 2007	1,675	2,691	10,185	2.6
2005	Advent Global Private Equity V	Buy-out	14	30 09 2007	5,576	8,869	10,079	2.6
2001	CVC Europe III	Buy-out	13	30 09 2007	1,419	5,520	9,497	2.5
2002	Charterhouse VII	Buy out	8	30 09 2007	3,255	8,438	9,192	2.4
2002	Collier International Partners IV	Secondary	36	30 09 2007	2,650	3,416	8,086	2.1
2005	Pomona Capital VI Fund	Secondary	33	30 09 2007	3,588	8,646	8,072	2.1
2006	3i Eurofund V	Buy out	12	30 09 2007	19,894	7,144	7,760	2.0
2006	Permira IV	Buy out	6	30 09 2007	23,276	7,874	7,616	2.0
2002	Barclays Private Equity European Fund	Buy out	12	30 09 2007	949	5,498	7,566	2.0
2007	Barclays Private Equity European Fund III	Buy out	5	30 09 2007	34,075	7,807	7,545	2.0
2007	Apax Europe VII	Buy out	7	30 09 2007	34,134	7,627	7,448	1.9
2006	HG Capital 5	Buy out	7	30 09 2007	11,840	7,434	7,417	1.9
2001	MUST 4	Buy-out	18	30 09 2007	1,393	8,529	7,110	1.8
2002	Duke Street Capital V Fund	Buy out	7	30 09 2007	1,311	7,257	6,255	1.6
2005	Montagu III	Buy out	6	30 09 2007	8,587	6,130	6,149	1.6
2006	CVC Tandem	Buy out	4	30 09 2007	23,925	5,613	5,735	1.5
1999	Apax Europe IV	Balanced	19	30 09 2007		8,543	5,447	1.4
2006	Towerbrook Investors II	Buy out	8	30 09 2007	6,233	6,201	5,432	1.4
2002	Pomona Capital V Fund	Secondary	70	30 09 2007	574	6,847	4,915	1.3
2006	Terra Firma Capital Partners III	Buy out	1	30 09 2007	18,294	5,285	4,470	1.2
1999	CVC Europe II	Buy out	10	30 09 2007	843	2,856	2,585	0.7
2005	BC European VIII	Buy out	5	30 06 2007	12,690	2,928	2,548	0.7
2006	Collier International Partners V	Secondary	2	30 09 2007	17,375	2,144	2,153	0.6
1997	Charterhouse VI	Buy out	1	30 09 2007	173	1,680	1,664	0.4
2001	SEP II	Venture capital	22	30 06 2007	193	4,079	1,258	0.3
1996	The Primary Capital No 1 Fund	Buy out	1	30 09 2007	65	1,095	799	0.2
1989	Apax European Buy in Fund	Buy in	1	30 09 2007		1,975	798	0.2
1997	Apax UK VI	Balanced	6	30 09 2007		3,888	655	0.2
1998	Phildrew Fifth	Buy out	2	30 09 2007	193	5,921	209	0.0
1998	Candover 1997 Fund	Buy out	1	30 09 2007	632	535	151	0.0
1992	Midland Montagu Investissement FCPR	Buy out	2	30 09 2007		430	119	0.0
1996	Scottish Equity Partnership	Venture capital	8	31 03 2007	14	686	75	0.0
1995	Apax UK V	Balanced	3	30 09 2007			75	0.0
1995	Phildrew Fourth	Buy-out	2	30 09 2007		563	52	0.0
1997	HEV III	Buy out	1	30 09 2007		214	39	0.0
1995	Granville Private Equity Fund V	Buy-out		30 09 2007	93			
1997	The Global Rights Development Fund	Development	1	30 09 2007		862		
2007	Industri Kapital 2007	Buy-out		30 09 2007	34,902			
Total portfolio investments†			489		366,003	295,198	322,633	83.7
'AAA' rated money market funds							56,645	14.7
Current assets less current liabilities							6,429	1.6
Shareholders' funds							385,707	100.0

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

†the 489 underlying investments represent holdings in 460 separate companies

Fund Investments

as at 30 September 2006

Year of commitment	Fund	Type	Number of investments	Valuation date*	Outstanding commitment £000	Cost £000	Valuation £000	% of net assets
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	Buy out	8	30 09 2006	4,832	5,363	7,606	2.6
2002	Collier 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

Ten Largest Fund Investments

as at 30 September 2007

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.

Charterhouse VIII

Charterhouse Capital Partners VIII is a €4.0 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.

Candover 2005 Fund

The Candover 2005 Fund is a €3.5 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 2005 Fund is the manager's ninth 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, Düsseldorf and Madrid to support this European expansion.

Fourth Cinven Fund

The Fourth Cinven Fund is a €6.5 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. The enterprise value of target companies will typically be in excess of €500 million.

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. The enterprise value of target companies will typically be in excess of €500 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, Düsseldorf and Madrid to support this European expansion.

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, 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.

Barclays Private Equity European Fund II

Barclays Private Equity European Fund is a €950 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. Just under half of investments are sourced in the UK.

CVC Europe IV

CVC European Equity Partners IV is a €6.0 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 targets medium and large sized buy out transactions where the target companies had annual sales in excess of €50 million.

Industri Kapital 2004

Industri Kapital is an established northern European private equity manager, headquartered in Stockholm, Sweden with further offices in the UK, Norway, France and Germany. Target transactions are buyouts of businesses with enterprise values of between €100 million and €500 million. As a leading Nordic private equity manager, Industri Kapital offers access to the northern European market. Since its formation in 1989, Industri Kapital has consistently generated strong performance across several funds and has developed a team of talented professionals focused on the operational transformation of investee companies.

The Industri Kapital 2004 Fund is the manager's fifth fund and it had a final close at €825 million on 1 February 2005. Although the fund is smaller than the preceding €2.1 billion Industri Kapital 2000 Fund, the target deal size for the new fund fits more closely with Industri Kapital's track record in earlier funds.

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 2007. The valuations are gross, before any carry provision.

Entity	Description	Fund ¹	% of net assets
Kestrel	Specialist mortgage lending	Alchemy	1.9
DSI	Cable tensioning products	Industri Kapital 2004	1.8
Gala Coral	Bingo and casino operator	Candover 2001, Third Cinven	1.7
Vivarte	Footwear & apparel retailer	Charterhouse VIII	1.5
Elmor	Catering	Charterhouse VII, Charterhouse VIII	1.5
Springer	Publisher of academic & scientific journals	Candover 2001, Third Cinven	1.4
Acromas	Provision of financial, insurance, travel and road assistance services	CVC IV, CVC Tandem, Charterhouse VII	1.3
EMI	Music publishing	Terra Firma III	1.2
Dutch Cable	Cable operator	Fourth Cinven	1.2
HT Troplast	Diversified plastics manufacturer	Advent IV	1.2
Ferretti	Luxury yacht manufacturer	Candover 2005	1.1
Q Hotels	UK regional hotel group	Alchemy	1.0
Redac	IT services and systems integration	Alchemy	1.0
Avio	Aerospace engine component manufacturer	Fourth Cinven	1.0
DX Group	Provider of B2B mail services	Candover 2005	0.9
Hilding Anders	Bed and mattress manufacturer	Candover 2005	0.9
Global Refund	Travel related payment services	Barclays European Fund III	0.9
Amadeus	Travel distribution services	Third Cinven	0.8
PHS	UK Business Services	Charterhouse VII	0.8
Gondola	Restaurant operator	Fourth Cinven	0.8
ista	Heat and water metering	Charterhouse VIII, CVC III	0.8
Numericable	French cable operator	Third Cinven	0.8
Phadia	Manufacturer of blood testing systems	Fourth Cinven	0.8
PBL Media	Diversified media company	CVC IV, CVC Tandem	0.8
Cengage Learning	Publisher of books for the higher education sector	Apax Europe VII	0.7
Valentino Fashion	Valentino and Hugo Boss fashion group	Permira IV	0.7
Converteam	Manufacturer of motors and drives	Barclays European Fund II	0.7
Flint (Xsys/BASF)	Manufacturer of printing inks	CVC III	0.7
Dufry	Duty free retailer	Advent IV	0.7
Tommy Hilfiger	Branded clothing	Apax Europe VI	0.7
Total of top 30 underlying investments			31.3

¹Full Fund names are shown on page 13

Historical Record

The tables below provide summary financial information for the annual reporting periods since the Company's listing

NAV and share price	Net Assets £m	NAV (undiluted) p	NAV (diluted) p	Share Price p	Premium (Discount) to NAV %
As at 30 September 2001	151.0	94.3	94.3	96.5	2.3
As at 30 September 2002	143.8	90.3	90.3	82.0	(9.2)
As at 30 September 2003	148.9	93.6	93.6	82.0	(12.4)
As at 30 September 2004	168.6	105.9	105.9	94.5	(10.8)
As at 30 September 2005	228.3	143.5	143.5	156.2	8.9
As at 30 September 2006	289.8	182.1	179.6	183.5	0.8
As at 30 September 2007	385.7	241.3	237.7	226.5	(6.1)

Performance and Dividends	NAV Total Return ¹ %	Share Price Total Return ¹ %	Dividend Paid £m	Dividend paid per Ordinary share	Expense ratio %
Period to 30 September 2001	(4.3)	(10.2)	—	—	0.70 ²
Year to 30 September 2002	(3.8)	(14.6)	0.7	0.45	0.76 ²
Year to 30 September 2003	4.9	1.6	1.9	1.20	1.07
Year to 30 September 2004	13.8	16.0	0.9	0.55	1.04
Year to 30 September 2005	35.2	67.3	1.9	1.20	1.03
Year to 30 September 2006	28.2	18.7	2.9	1.80	1.01
Year to 30 September 2007	33.9	24.8	3.8	2.40	0.97

Investment Exposure	Fund Manager as a % of net assets		Top 10 %	Fund Investments as a % of net assets	
	Top 5 %	Top 10 %		Top 20 %	Top 30 %
As at 30 September 2001	36.0	45.7	39.2	47.1	47.4
As at 30 September 2002	36.6	51.8	42.0	55.5	60.3
As at 30 September 2003	49.1	72.3	61.3	81.9	85.2
As at 30 September 2004	48.6	76.1	64.9	86.7	89.1
As at 30 September 2005	44.9	75.5	60.7	78.3	81.4
As at 30 September 2006	40.9	67.4	50.3	74.0	81.4
As at 30 September 2007	41.0	66.5	42.5	64.8	80.4

¹Data supplied by Fundamental Data

²For the period from the Company's listing until 1 July 2002, no management fee was charged on the Company's cash or money market holdings

Board of Directors

Scott Dobbie CBE

Chairman

Scott Dobbie (68), 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 (63), 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 Chairman of the Association of Investment Companies. 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 (44), 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.

Clive Sherling

Director

Clive Sherling (58), 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 (49), 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 (55), 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 Bank of China (UK) Ltd, Star Capital Partners, Health Club Investments Group and Scottish Financial Enterprise.

* Hamish Buchan has been nominated as the Senior Independent Director and is also 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.

The Directors present their report and the audited financial statements for the year ended 30 September 2007

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 2006, 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 SL Capital Partners LLP. The Board is independent of the Manager and Standard Life.

Investment Objective

The investment objective is to achieve long term capital gains through holding a diversified portfolio of private equity funds investing predominantly in Europe. The full text of the Company's investment policy can be found on page 5 and the Manager's Review on pages 6 to 11 explains how the Company has invested its assets with a view to spreading investment risk in accordance with the Company's investment policy during the year under review.

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 Manager's 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 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 and 5 years ended 30 September 2007 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 44. The principal risks facing the Company relate to the Company's investment activities and include the following:

- market selection risk
- cashflow/liquidity risk
- market risk

- currency risk
- operating and control environment risk

An explanation of these risks and how they are managed is contained in note 17 on page 44 to the accounts and in the Manager's Review at pages 6 to 11.

Share capital

As at 30 September 2007, the Company's issued and paid up share capital was £354,346, divided into 159,822,567 fully paid up ordinary shares, 14,163,058 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. The ordinary shares, founder A shares and founder B shares represent 82.32%, 8.67% and 9.01% respectively of the Company's total issued share capital. The ordinary shares are listed, whereas the founder shares are not. Further information on the rights attaching to the different classes of shares in the Company are set out in an appendix which forms part of the Directors' Report.

Income and final dividend

Income available for dividends was £6,974,000, or 4.38p per ordinary share (30 September 2006 – £4,848,000, or 3.05p per ordinary share). The Directors recommend that a final dividend of 3.5p (30 September 2006 – 2.4p) per ordinary share be paid on 1 February 2008 to shareholders on the Company's share register as at the close of business on 4 January 2008.

Directors

Hamish Buchan retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election at the Annual General Meeting. Clive Sherling and Donald Workman, who were appointed as non-executive Directors on 1 December 2006, were elected by shareholders at the Annual General Meeting held in January 2007. Mr Tyndall will retire.

Directors' Report

from the Board at the conclusion of the Annual General Meeting. Biographies of the Directors can be found on page 18. The Board supports the candidature of Hamish Buchan 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 5. The Company has not been notified of any changes to the Directors' shareholdings between 30 September 2007 and 27 November 2007.

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.

Investment Management Arrangements

Shareholders were notified during the year of the proposed re-organisation by Standard Life Investments of its private equity investment management business, whereby all the business that was carried on by Standard Life Investments (Private Equity) Limited was to be transferred to a new limited liability partnership, SL Capital Partners LLP. In order to facilitate this reorganisation certain amendments to the Company's articles were approved by shareholders at an extraordinary general meeting and at class meetings of the holders of each class of issued shares on 24 September 2007. This re-organisation became effective on 1 October 2007 and accordingly SL Capital

Table 5
Directors' and their shareholdings in the Company

	Ordinary shares held as at 30 September 2007	Ordinary shares held as at 30 September 2006
Scott Dobbie	150,000	150,000
Hamish Buchan	25,000	25,000
Simon Edwards	10,000	10,000
George Kershaw (resigned 29 January 2007)	—	20,000
Clive Sherling	60,000	—
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.

Partners LLP was appointed the investment manager to the Company on that date. The Company continues to be managed by an entity within the Standard Life group and by the same investment management team.

Under the terms of the Company's investment management agreement with the Manager (the "Investment Management Agreement"), the Company pays the Manager a quarterly fee, payable in arrears, equal to 0.8% per annum of the Company's net assets at the end of the relevant quarter. Undrawn commitments to limited partnerships and other funds are disregarded when calculating the net asset value for this purpose. No fee is payable on any investments in any investment trust, collective investment scheme or any other company or fund managed, operated or advised by the Manager or any other subsidiary of Standard Life.

The Manager's appointment may be terminated by either party giving to the other not less than 12 months' written notice. In the event that the Company terminated the Investment Management Agreement on less than 12 months' notice, the Manager would be entitled to compensation except in the circumstances noted below.

The maximum compensation which the Manager would be entitled to receive for early

termination (that is, if no notice of termination were given by the Company) would be an amount equal to 0.8% of the Company's net asset value at termination. If a period of notice were given by the Company (but less than the required 12 months), the Manager would be entitled to receive a proportion of that maximum compensation, the relevant proportion being the number of days by which the notice given falls short of 365 days expressed as a proportion of the required 12 month notice period.

The Manager's appointment under the Investment Management Agreement may be terminated by the Company without compensation in the following circumstances: the Manager being wound up, an insolvency event occurring in respect of the Manager, the Manager being guilty of negligence, wilful default or fraud in the performance of its duties under the Investment Management Agreement, the Manager's material breach of the Investment Management Agreement, the Manager becoming legally prohibited from carrying on investment business, on a change of control of Standard Life Investments (Private Equity) Limited ("SLIPE") where at that time SLIPE controls the Manager, on a change of control of the Manager (except where it has been approved by the Board), on the Company ceasing to satisfy the conditions for approval as an investment trust by reason of the negligence

or wilful default of the Manager, or if less than two "key executives" remain engaged by any member of the Manager's group. The key executives are currently David Currie and Peter McKellar but the Directors may from time to time accept as a key executive any other employee or member of any entity in the Manager's group who is a member of the Manager's investment committee and who has been proposed by the Manager to the Company as a key executive.

The Investment Management Agreement contains provisions indemnifying the Manager against any liability not due to its wilful default, negligence or fraud.

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 2003"). 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

Table 6

Meetings held and attendance	Board*	Audit Committee	Management Engagement Committee	Nominations Committee
Scott Dobbie†	5/5	2/2	1/1	1/1
Hamish Buchan	5/5	2/2	1/1	1/1
Simon Edwards	5/5	2/2	1/1	1/1
George Kershaw**	2/2	1/1	n/a	n/a
Clive Sherling***	3/4	0/1	1/1	1/1
Mark Tyndall	5/5	2/2	1/1	1/1
Donald Workman***	3/4	1/1	1/1	1/1

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

*These figures exclude one board meeting held to deal with administrative matters attended only by Scott Dobbie and Hamish Buchan

**George Kershaw retired as a Director on 29 January 2007

***Clive Sherling and Donald Workman were appointed on 1 December 2006

investment management and administration agreements and through specific instructions, the day to day management of the Company to the Manager, SL Capital Partners LLP, and the Administrator, Edinburgh Fund Managers plc. The Company has no executives or employees. There is a number of matters reserved for the Board's approval which include strategy, investment policy, borrowings, dividend policy and Board appointments.

The Board presently consists of six non executive Directors, one of whom is Chairman. All of the Directors are independent of the Manager 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 6 sets out the number of formal Directors' and Committee meetings attended by each Director during the year compared with the total number of meetings that each director was entitled to attend.

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 relevant information regarding the Company and their duties as a Director. Thereafter, regular briefings are provided on changes

Directors' Report

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, if relevant, 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-election of Hamish Buchan, who is due to retire by rotation at this year's Annual General Meeting, and recommends his re-election to shareholders. Mr Buchan is chairman of the AIC and has considerable experience of the investment trust sector. He has made a significant contribution to the work of the Board, especially in his role as Chairman of the Audit Committee.

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 28.

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 process was based upon completion of a self assessment questionnaire by each Director, followed by individual discussions with the Chairman. 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 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. During the year, two new Board appointments were made, Clive Sherling and Donald Workman. 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.

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, which are available at the Company's registered office, are reviewed on an annual basis.

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),
- considering the scope of work undertaken by the Manager's and the Administrator's internal audit departments including a review of their 'whistle blowing' policies, 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 29 and 30

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 2007 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

Table 7
Substantial share interests

	No. of shares	%
Standard Life PLC	80,815,718	50.6
Foreign & Colonial Asset Management PLC	16,515,714	10.3
Including Foreign & Colonial Investment Trust PLC	5,500,000	3.4
British Assets Trust	5,000,000	3.1
The Alliance Trust PLC	8,000,000	5.0

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

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.

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.

Significant Shareholdings

The significant holdings in the Company's share capital which had been notified to the Company as at 27 November 2007 are shown in Table 7.

Significant Agreements

The Company considers the following agreements, each of which may be effected, altered or terminated on a change of control of the Company, to be of significance.

Directors' Report

Investment Management Agreement

The principal terms of the Investment Management Agreement are summarised above in the section of the Directors' Report entitled "Investment Management Arrangements"

Relationship Agreement with Standard Life

By a letter dated 1 October 2007, Standard Life has irrevocably undertaken to the Company that, at any time when Standard Life and its Associates (meaning any company which is a member of the Standard Life group) are entitled to exercise or control 30% or more of the rights to vote at general meetings of the Company, it will not (and will procure that none of its Associates will) seek to nominate Directors to the Board of the Company who are not independent of Standard Life or take any action which would be detrimental to the Company's shareholders as a whole (for this purpose, any action which has the support or recommendation of a majority of the Directors is deemed not to be detrimental)

These undertakings do not apply where

- (i) an offer is made for the Company, or a reconstruction or winding up of the Company is proposed (other than by Standard Life or any of its Associates), or any hostile corporate action has been initiated in relation to the Company,
- (ii) the Manager has been removed or is proposed to be removed as the discretionary investment manager of the Company (save where the removal or proposed removal is instigated by Standard Life or its Associates or is effected by the Company and the manager in accordance with the terms of the Investment Management Agreement), or material changes have been made or are proposed to be made to the Investment Management Agreement,
- (iii) the Company's investment policy is altered or proposed to be altered (with or without shareholder approval) in any material way, or
- (iv) there has been any failure of generally

accepted corporate governance principles, or an increase in the remuneration limit for the Directors is proposed without Standard Life's previous written approval

Standard Life Name

In the event that Standard Life ceases to have control of the Company's investment manager or there is a takeover of the Company, Standard Life is entitled under the Company's articles to require that the name of the Company be changed to a name which does not contain the words "Standard Life" or any confusingly similar words

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 2007 or 30 September 2006

Annual General Meeting

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

Resolution 6 Section 80 authority to allot shares

Resolution 6, 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 £80,354.86 (representing approximately 25.14% of the total ordinary share capital of the Company in issue as at the date of this document). This authority will expire on 30 March 2009 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2009

Resolution 7 Disapplication of pre-emption rights

As noted above, resolution 6 will, if approved, give the Directors a general authority to allot securities up to an aggregate nominal amount of £80,354.86. Resolution 7, 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 £15,982 (representing approximately 5% 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 30 March 2009 or, if earlier, the conclusion of the Annual General Meeting in 2009. 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 8 Share buy backs

The existing buy back authority, granted at the Annual General Meeting of the Company held on 29 January 2007, permits the Company to make market purchases of up to 14.99 per cent of the Company's issued ordinary share capital as at 29 January 2007 and expires at the forthcoming Annual General Meeting. During the financial year ended 30 September 2007, 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 8 as a special resolution to authorise the Board to buy back up to 14.99% 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 % 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 % 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 30 March 2009 or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2009.

Valerie Mackenzie

By order of the Board

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 27 November 2007

Appendix to Directors' Report:

Rights attaching to shares in the Company

General

The Company's issued share capital comprises ordinary shares, which are listed, and founder A and founder B shares, which are not. The ordinary shares, founder A shares and founder B shares represent 82.32%, 8.67% and 9.01% respectively of the Company's total issued share capital.

The rights attaching to the Company's shares are set out in the Company's articles of association and they are also supplemented by (and are subject to) relevant provisions of the Companies Act 1985, the Companies Act 2006 and other legislation applying to the Company from time to time (the "Statutes").

Dividends

The ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Directors) and to receive any interim dividends which the Directors may resolve to pay.

The founder shares carry a right to a fixed non-cumulative dividend of 0.05% per annum of the nominal amount paid up on those shares, which accrues daily and is payable annually in arrears on 30 September each year.

The founder A and founder B shares are to be reclassified as deferred shares on the occurrence of certain prescribed events, at which time they would cease to be convertible into ordinary shares (see the section entitled "Conversion of Founder Shares" below for an explanation of the conversion rights attaching to the founder shares). As at 30 September 2007, there were no deferred shares in issue. The deferred shares entitle their holders to a fixed non-cumulative dividend of 1% of their nominal amount but they confer no other right to share in the profits of the Company.

Voting

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company.

Subject to suspension of voting rights in the limited circumstances summarised below in the section entitled "Restrictions on the Rights Attaching to Shares", on a show of hands every ordinary shareholder present in person or by proxy has one vote and on a poll every ordinary shareholder present in person has one vote for every share he holds and a proxy has one vote for every share in respect of which he is appointed.

Neither the founder shares nor the deferred shares carry voting rights, except at separate class meetings in the case of changes to class rights. Any alteration to Part 2 of the Company's articles is deemed to be a change to the class rights attaching to the founder shares.

Deadlines for Exercising Voting Rights

If an ordinary shareholder wishes to appoint a proxy to vote at a meeting on his behalf, a valid appointment is made if the form of proxy is received by the Company no later than 48 hours before the start of the meeting or adjourned meeting (or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, no later than 24 hours before the time appointed for the taking of the poll).

Rights to the Capital of the Company on Winding Up

If and when the Company is wound up, the capital and assets of the Company will be distributed as follows: (i) if there are deferred shares in issue, in paying to each deferred shareholder 1p in aggregate, then (ii) in paying to the founder shareholders the nominal amount paid up on each founder share which they hold, then (iii) the remaining

capital and assets will be divided among the ordinary shareholders in proportion to their shareholdings.

Conversion of Founder Shares

Standard Life Investments Limited and individual members of the Manager's investment team were allotted 35,000,000 founder shares on the Company's launch in May 2001. Subject to the performance of the Company measured over two periods from 2001 to 2006 and from 2006 to 2011, the founder shares are convertible into a maximum of 10% of the ordinary share capital of the Company as enlarged by conversion. 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 first performance period, relating to the conversion of the founder A shares, came to an end on 30 September 2006 and resulted in 4,854,979 founder A shares becoming convertible at any time up to 31 December 2013 into an equal number of ordinary shares. During the year to 30 September 2007, 672,567 founder A shares were converted into ordinary shares.

The performance condition for the founder B performance 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%. The extent to which the founder B shares are convertible will depend on the total return achieved in excess of the 10% hurdle, with the founder B shares being fully convertible at a compound annual return of 15%. The conversion price is 100p per ordinary share less the amount already paid up on that founder B share, subject to adjustment in certain circumstances.

Appendix to Directors' Report: Rights attaching to shares in the Company

The detailed provisions regarding the conversion of the founder A shares and founder B shares are set out in Part 2 of the Company's articles

Restrictions on the Rights Attaching to Shares

The Company may, by serving a "restriction notice" on a shareholder, place restrictions on the right of a shareholder to vote, receive dividends and transfer his shares if the shareholder (or any other person appearing to be interested in his shares) has been requested by the Company to provide details of any direct or indirect interests held by any person in his shares and he fails to comply with that request within 14 days of the request being made

From the date of service of the restriction notice, the shares to which the notice relates will be subject to some or all of the following restrictions. Where the shares represent 0.25% or more in number or nominal value of the shares of the Company then in issue, or of any class of share, (i) the shares cease to confer on the shareholder any rights to attend or vote at general meetings of the Company or at class meetings or to exercise any other right to participate in meetings, (ii) any dividends payable in respect of the shares may be withheld by the Company, and (iii) no transfers of the shares (other than by way of an arm's length sale) will be registered. In any other case, the sole restriction is that the shares cease to confer on the shareholder any rights to attend or vote at general meetings of the Company or at class meetings or to exercise any other right to participate in meetings

Other Restrictions on Transfers of Shares

In accordance with the eligibility requirements for listing, the Company's ordinary shares are freely transferable

However, in addition to the restrictions noted above (see "Restrictions on the Rights Attaching to Shares"), the Directors may refuse to register a transfer of shares held in certificated form unless the instrument of transfer is (i) lodged at the Company's registered office, accompanied by the relevant share certificate(s) and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer, (ii) stamped or adjudged or certified as not chargeable to stamp duty, (iii) in respect of only one class of share, and (iv) not in favour of more than four persons jointly

The Directors may only decline to register a transfer of an uncertificated share in the circumstances set out in the Statutes and where in the case of a transfer to joint holders the number of joint holders to whom the uncertificated share is to be transferred exceeds four

Restrictions on Transfers of Founder Shares

A founder shareholder who is an individual may only transfer founder shares to certain close family relations or to trustees to be held on a family trust. A founder shareholder which is a body corporate may transfer its founder shares to any member of the same group

Any other proposed transfer of founder shares is subject to the prior approval of the Directors in their absolute discretion

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 30.

Remuneration committee

The Company has six non executive Directors. The Board as a whole fulfils the function of a remuneration committee. The Board has instructed the Manager, SL Capital Partners LLP, 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 2008 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 options, long term incentive schemes or other benefits.

Total cumulative ordinary shareholder return for the period from listing to 30 September 2007

Table 8
Directors' fees excluding VAT and NI (audited)

	2007 £	2006 £
Scott Dobbie	33,000	29,000
Hamish Buchan	25,000	20,500
Simon Edwards	20,000	17,500
George Kershaw*	6,666	17,500
Clive Sherling**	16,667	—
Mark Tyndall***	20,000	17,500
Donald Workman**	16,667	—
Total	138,000	102,000

* Retired 29 January 2007

** Appointed on 1 December 2006

*** Fees paid to Artemis Investment Management Limited

The limit on Directors' fees in the Company's Articles of Association is £250,000.

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. It was agreed that Directors' fees should be increased with effect from 1 October 2007 to £38,500 per annum for the Chairman and £22,000 per annum for each Director. Mr Buchan's fee would be increased to £27,500 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 2007 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)

All Directors who served during the year received the emoluments, in the form of fees, as described in Table 8.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 27 November 2007.

By order of the Board

Valerie Necker

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 27 November 2007

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

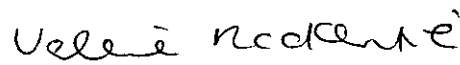
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors have a general responsibility for taking 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, 27 November 2007

Independent Auditors' Report to the Shareholders 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 2007 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cashflow Statement and the related notes on pages 35 to 46. 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 Shareholders 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 also 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.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

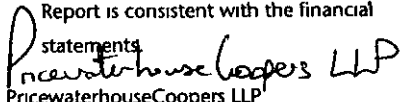
An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation 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 2007 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, 27 November 2007

Income Statement

	Notes	For the year ended 30 September 2007			For the year ended 30 September 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
GAINS ON INVESTMENTS	8	—	94,094	94,094	—	61,117	61,117
Currency losses on cash balances	12	—	(56)	(56)	—	(172)	(172)
Income from investments	2	10,781	—	10,781	7,636	—	7,636
Investment management fee	3	(280)	(2,517)	(2,797)	(215)	(1,934)	(2,149)
Administrative expenses	4	(475)	—	(475)	(476)	—	(476)
NET RETURN ON ORDINARY ACTIVITIES BEFORE FINANCE COSTS AND TAXATION		10,026	91,521	101,547	6,945	59,011	65,956
Finance costs	12	(30)	(273)	(303)	(19)	(171)	(190)
NET RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		9,996	91,248	101,244	6,926	58,840	65,766
Taxation	5	(3,022)	837	(2,185)	(2,078)	631	(1,447)
NET RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		6,974	92,085	99,059	4,848	59,471	64,319
NET RETURN PER ORDINARY SHARE	7	4 38p	57 80p	62 18p	3 05p	37 36p	40 41p
DILUTED NET RETURN PER ORDINARY SHARE	7	4 31p	56 85p	61 16p	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

The dividend which has been recommended based on this Income Statement is 3 50p (2006 2 40p)

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 September 2007

	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
Balance at 30 September 2006		354	77,775	79,148	1	103,234	22,185	7,105	289,802
Total recognised gains		—	—	—	—	86,363	5,722	6,974	99,059
Conversion of founder A shares		—	665	—	1	—	—	—	666
Dividends paid		—	—	—	—	—	—	(3,820)	(3,820)
Balance at 30 September 2007	12	354	78,440	79,148	2	189,597	27,907	10,259	385,707

For the year ended 30 September 2006

		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
Balance at 30 September 2005		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		354	77,775	79,148	1	103,234	22,185	7,105	289,802

Balance Sheet

	Notes	As at 30 September 2007		As at 30 September 2006	
		£'000	£'000	£'000	£'000
NON CURRENT ASSETS					
Investments at fair value through profit or loss	8		322,633		239,288
CURRENT ASSETS					
Investments at fair value through profit or loss	8	56,645		44,387	
Debtors	9	292		189	
Cash and short term deposits		7,599		7,700	
		<u>64,536</u>		<u>52,276</u>	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR					
	10	<u>(1,462)</u>		<u>(1,762)</u>	
NET CURRENT ASSETS			63,074		50,514
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>385,707</u>		<u>289,802</u>
CAPITAL AND RESERVES					
Called up share capital	11		354		354
Share premium	12		78,440		77,775
Special reserve	12		79,148		79,148
Capital redemption reserve	12		2		1
Capital reserve realised	12		189,597		103,234
Capital reserve unrealised	12		27,907		22,185
Revenue reserve	12		10,259		7,105
TOTAL SHAREHOLDERS' FUNDS			<u>385,707</u>		<u>289,802</u>
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests (ordinary shares)			385,672		289,767
Non equity interests (founder shares)	11		35		35
			<u>385,707</u>		<u>289,802</u>
NET ASSET VALUE PER EQUITY SHARE	14		241 3p		182 1p

The financial statements on pages 31 to 46 were approved by the Board on 27 November 2007 and were signed on its behalf by

Scott Dobbie CBE, Chairman
27 November 2007



Cashflow Statement

		For the year ended 30 September 2007		For the year ended 30 September 2006	
	Notes	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13		7,461		5,029
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(342)		(142)
NET CASH OUTFLOW FROM TAXATION			(2,501)		(758)
FINANCIAL INVESTMENT					
Purchase of investments	8	(266,564)		(127,697)	
Disposal of investments	8	265,055		132,153	
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENTS			(1,509)		4,456
ORDINARY DIVIDENDS PAID			(3,820)		(2,865)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(711)		5,720
NET CASH INFLOW FROM FINANCING					
Net proceeds of issue of ordinary shares			666		—
(DECREASE)/INCREASE IN CASH			(45)		5,720
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
(Decrease)/increase in cash as above			(45)		5,720
Currency movements			(56)		(172)
MOVEMENT IN NET FUNDS IN THE PERIOD			(101)		5,548
Opening net funds			7,700		2,152
CLOSING NET FUNDS			7,599		7,700
REPRESENTED BY					
Cash and short term deposits			7,599		7,700

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 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 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 accruals 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 Revenue Account 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

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 cash flows 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 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.

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 price, discounted, where applicable, to recognise any restriction on sale.

(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 the 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.

Notes to the Accounts

(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 periods.

Due to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain 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 the translation of investments held at the year end are accounted for through the unrealised capital reserve. Gains or 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

	2007	2006
Euro	1.4326	1.4746
US dollar	2.0374	1.8680

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

	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
2 Income		
Income from investments		
Income from unquoted investments	8,174	5,896
Income from 'AAA' rated money market funds	2,497	1,550
	<u>10,671</u>	<u>7,446</u>
Other income		
Interest receivable on cash	108	186
Other income	2	4
	<u>10,781</u>	<u>7,636</u>

	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
3 Investment management fee		
Investment management fee	2,797	2,149
Charged against capital reserve – realised	(2,517)	(1,934)
	<u>280</u>	<u>215</u>

The investment management fee payable to SL Capital Partners LLP is 0.8% per annum, paid quarterly in arrears, of the investments and other assets of the company and any subsidiaries less the aggregate of the liabilities of the Company and any subsidiaries. The investment management fee is allocated 90% to the realised capital reserve and 10% to the revenue account. The management agreement between the Company and SL Capital Partners LLP is terminable by either party on one year's notice.

Notes to the Accounts

	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
4 Administrative expenses		
Secretarial and administration fee	164	140
Directors' fees	142	105
Auditors' remuneration – audit related	31	30
other	—	3
Legal fees	12	22
Fees and subscriptions	32	31
Professional and consultancy fees	17	71
Other expenses	77	74
	<u>475</u>	<u>476</u>

From 1 July 2007, the secretarial and administration fee is payable to Edinburgh Fund Managers plc at the rate of £150,000 (excluding VAT) per annum, and will be adjusted annually in line with the retail prices index from 1 July 2009. Prior to 1 July 2007, the secretarial and administration fee was payable at the rate of £74,237 (excluding VAT) plus 0.035% of net assets in excess of £100 million per annum, 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 £33,000 (2006 £29,000). The emoluments of each of the other directors were £20,000 (2006 £17,500), except for H Buchan who received an additional £5,000 as the Senior Independent Director and Chairman of the Audit Committee.

Irrecoverable VAT has been shown under the relevant expense line above

	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
5 Taxation		
(a) Analysis of charge throughout the year		
Current Tax		
UK corporation tax on return on ordinary activities (30%)	2,162	1,447
Irrecoverable foreign tax	31	90
Prior year adjustment	(8)	(90)
Tax on profit on ordinary activities	<u>2,185</u>	<u>1,447</u>

Notes to the Accounts

5 Taxation (continued)	Year to 30 September 2007			Year to 30 September 2006		
	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	9,996	91,248	101,244	6,926	58,840	65,766
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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	2,999	27,374	30,373	2,078	17,652	19,730
Capital gains*	—	(27,374)	(27,374)	—	(17,652)	(17,652)
Irrecoverable foreign tax	31	—	31	90	—	90
Overprovision from previous period	(8)	—	(8)	(90)	—	(90)
Tax relief for expenses taken to capital	—	(837)	(837)	—	(631)	(631)
Current tax charge for year (Note 5(a))	3,022	(837)	2,185	2,078	(631)	1,447

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

	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
--	---------------------------------------	---------------------------------------

Amount recognised as a distribution to equity holders in the period

Dividend paid in the year ended 30 September 2007 of 2 40p (2006 1 80p)

per ordinary share paid on 7 February 2007 (8 February 2006)	3,820	2,865
--------------------------------------------------------------	-------	-------

The proposed final dividend of 3 50p per ordinary share 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 dividends proposed and paid in respect of the financial year, which is the basis on which the 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 £6,974,000 (2006 £4,848,000)

Proposed final dividend of 3 50p (dividend proposed at 30 September 2006 2 40p)

per ordinary share due to be paid on 1 February 2008 (paid 7 February 2007)	5,434	3,820
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Notes to the Accounts

7 Return per ordinary share

Year to 30 September 2007
p £'000

Year to 30 September 2006
p £'000

The return per ordinary share is based on the following figures

Revenue return	4 38	6,974	3 05	4,848
Capital return	57 80	92,085	37 36	59,471
Total return	62 18	99,059	40 41	64,319

Weighted average number of ordinary shares in issue 159,321,366 159,150,000

Year to 30 September 2007
p £ 000

Year to 30 September 2006
p £ 000

The fully diluted return per ordinary share is based on the following figures

Revenue return (fully diluted)	4 31	6,974	3 01	4,848
Capital return (fully diluted)	56 85	92,085	36 90	59,471
Total return (fully diluted)	61 16	99,059	39 91	64,319

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 2007 this is based on 161,974,327 shares (2006 161,141,389), comprising the weighted average 159,321,366 ordinary shares (2006 159,150,000) and 2,652,961 founder A shares capable of conversion (2006 1,991,389)

8 Investments

'AAA' Rated
Money Market Funds
£'000

Unquoted
£'000

Total
£'000

2006
Total
£'000

Fair value through profit or loss				
Opening market value	44,387	239,288	283,675	227,014
Opening unrealised (appreciation)/depreciation	147	(22,332)	(22,185)	(5,841)
Opening book cost	44,534	216,956	261,490	221,173
Movements in the year				
Additions at cost	129,005	137,559	266,564	127,697
Disposal of investments	(116,647)	(148,408)	(265,055)	(132,153)
Fund investments wound up	—	—	—	(28)
	56,892	206,107	262,999	216,689
Realised (losses)/gains on investments	(719)	89,091	88,372	44,801
Closing book cost	56,173	295,198	351,371	261,490
Closing unrealised appreciation	472	27,435	27,907	22,185
Closing market value	56,645	322,633	379,278	283,675

Notes to the Accounts

8 Investments (continued)	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
Gains on investments		
Net realised gains on investments	88,372	44,801
Fund investments wound up	—	(28)
Net unrealised appreciation on investments	5,722	16,344
	<u>94,094</u>	<u>61,117</u>

Transaction costs

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through 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:

Purchases in respect of new unquoted fund investments	49	33
-------------------------------------------------------	----	----

9 Debtors	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
Amounts falling due within one year		
Accrued income	262	167
Prepayments	30	22
	<u>292</u>	<u>189</u>

10 Creditors – amounts falling due within one year	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
Corporation tax	522	869
Management fee	778	687
Secretarial fee	44	40
Sundry creditors	92	101
Loan commitment fee	26	65
	<u>1,462</u>	<u>1,762</u>

Notes to the Accounts

11 Called up share capital	30 September 2007 £	30 September 2006 £
Authorised		
200,000,000 ordinary shares of 0.2p	400,000	400,000
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>470,000</u>
Issued		
159,822,567 (2006: 159,150,000) ordinary shares of 0.2p fully paid	319,645	318,300
16,827,433 (2006: 17,500,000) founder A shares of 0.2p partly paid	17,014	17,687
17,500,000 (2006: 17,500,000) founder B shares of 0.2p partly paid	17,687	17,686
	<u>354,346</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.

During the year 672,567 founder A shares were converted into ordinary shares of 0.2p at a cost of £672,000 before deduction of conversion costs of £6,000.

Following the end of the founder A performance period on 30 September 2006 4,182,412 (2006: 4,854,979) founder A shares now have a 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.

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 at 1 October 2006	77,775	79,148	1	103,234	22,185	7,105
Realised gains on unquoted investments	—	—	—	89,091	—	—
Net realised losses on sale of 'AAA' rated money market funds	—	—	—	(719)	—	—
Management fee charged to capital	—	—	—	(2,517)	—	—
Finance costs	—	—	—	(273)	—	—
Tax relief on management fees and finance costs above	—	—	—	837	—	—
Currency losses on cash balances	—	—	—	(56)	—	—
Movement in unrealised depreciation in unquoted investments	—	—	—	—	5,103	—
Movement in unrealised depreciation on 'AAA' rated money market funds	—	—	—	—	619	—
Expenses of conversion of founder A shares	(6)	—	—	—	—	—
Conversion of founder A shares	671	—	1	—	—	—
Return on ordinary activities after taxation	—	—	—	—	—	6,974
Dividends paid during the period	—	—	—	—	—	(3,820)
Closing balances at 30 September 2007	78,440	79,148	2	189,597	27,907	10,259

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 reserve is a distributable reserve and may be applied in any manner as a distribution, other than by way of a dividend.

13 Reconciliation of net return on ordinary activities before finance costs and taxation to net cash inflow from operating activities	Year to 30 September 2007 £'000	Year to 30 September 2006 £'000
Net total return before finance costs and taxation	101,547	65,956
Adjustment for		
Realised gains on investments	(88,372)	(44,801)
Fund investments wound up	—	28
Unrealised gains on investments	(5,722)	(16,344)
Currency losses on cash balances	56	172
Increase in accrued income	(95)	(89)
Increase in prepayments	(8)	(13)
Increase in creditors	86	275
Tax deducted from non UK income	(31)	(155)
	7,461	5,029

Notes to the Accounts

14 Net asset value per ordinary share

30 September 2007 30 September 2006

Basic		
Ordinary shareholders' funds	£385,672,000	£289,767,000
Number of ordinary shares in issue	159,822,567	159,150,000
Net asset value per ordinary share	241 3p	182 1p
Diluted		
Ordinary shareholders' funds	£389,854,412	£294,621,979
Number of ordinary shares in issue	164,004,979	164,004,979
Net asset value per ordinary share	237 7p	179 6p

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

15 Commitments and contingent liabilities

Year to
30 September 2007 Year to
30 September 2006
£'000 £'000

Outstanding calls on investments	366,003	307,704
----------------------------------	---------	---------

This represents commitments made to fund investments remaining undrawn

16 Parent undertaking and related party transactions

The ultimate parent undertaking of the Company 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% 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. A more detailed summary of the terms of the relationship agreement are set out in the Directors' Report on page 20. Copies of the accounts of the ultimate parent undertaking can be obtained at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

The Manager during the year was Standard Life Investments (Private Equity) Limited, a wholly owned subsidiary of Standard Life and therefore a related party of the Company. As explained in the Directors' Report on page 24 following a reorganisation on 1 October 2007 SL Capital Partners was appointed the Manager. During the year ended 30 September 2007 the Manager charged management fees totalling £2,797,000 (2006 £2,149,000) to the Company in the normal course of business. The balance of management fees outstanding at 30 September 2007 was £778,000 (2006 £687,000).

The Company has a £60 million committed revolving credit facility with The Royal Bank of Scotland plc ("RBS") and the Company also invests from time to time in 'AAA' money market funds managed by RBS. Donald Workman, who is a director of the Company and an investment director within the Corporate Markets division of RBS, took no part in the Board's deliberations concerning, or its approval of, the credit facility. Within parameters agreed with the Board, it is Standard Life Investment's treasury team which determines the funds in which the Company's surplus cash is invested from time to time.

No other related party transactions were undertaken during the year to 30 September 2007.

Notes to the Accounts

17 Risk management, financial assets and liabilities

Financial assets and liabilities

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise from its operations. 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, typically unquoted limited partnerships. These are valued by their managers in line with EVCA or BVCA guidelines which provide a fair value basis of valuation, with underlying investments usually held at cost for the first year, unless there is 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 assets on the 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. Over time, 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 usually 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 2007

	Effective Interest Rate %	Local Currency '000s	Foreign Exchange Rate	Sterling Equivalent £'000
Unquoted investments				
Sterling		40,333	—	40,333
Euro		346,062	1.4326	241,562
US Dollar		82,998	2.0374	40,738
'AAA' rated money market funds				
Sterling	5.89	19,650	—	19,650
Euro	4.08	41,080	1.4326	28,675
US Dollar	5.15	16,950	2.0374	8,320
Cash and liquidity				
Sterling	4.27	1,349	—	1,349
Euro	1.49	1,869	1.4326	1,305
US Dollar	2.15	10,074	2.0374	4,945
Total as at 30 September 2007				386,877

Notes to the Accounts

17 Risk management, financial assets and liabilities (continued)	Effective Interest Rate %	Local Currency '000s	Foreign Exchange Rate	Sterling Equivalent £'000
Commitments				
Sterling		14,596	—	14,596
Euro		456,606	1.4326	318,725
US Dollar		66,587	2.0374	32,682
Total as at 30 September 2007				366,003
Currency exposure at 30 September 2006	Effective Interest Rate %	Local Currency '000s	Foreign Exchange Rate	Sterling Equivalent £'000
Unquoted investments				
Sterling		46,539	—	46,539
Euro		227,943	1.4746	154,580
US Dollar		71,298	1.8680	38,169
'AAA' rated money market funds				
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
Cash and Liquidity				
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
Total as at 30 September 2006				291,375
Commitments				
Sterling		20,322	—	20,322
Euro		380,053	1.4746	257,733
US Dollar		55,383	1.8680	29,649
Total as at 30 September 2006				307,704

Over commitment risk

To minimise the cash drag on the Company (when a large amount of the NAV is in cash or 'AAA' rated investments rather than unquoted investments) the Board has decided to make commitments to new fund investments, which are greater than the current cash and 'AAA' rated investments levels. As private equity funds generally call over a five year period whilst they are making investments, the funds, which are investing, are offset by the 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 in the bank or on short term deposit on any particular day has been managed by the setting up of a £60 million committed revolving credit facility with the Royal Bank of Scotland plc. As at 30 September 2007 this facility remains undrawn. The interest rate on this facility is LIBOR + 0.975% and the commitment fee payable on non utilisation is 0.475%.

Notes to the Accounts

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. Investments in unquoted equity are less marketable than quoted equity, as they have to be sold privately via a secondary market subject to approval of the general partner of the fund investment rather than on the public stock market.

Credit risk

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

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 5.75% as at 30 September 2007 (30 September 2006: 4.75%). Interest on US dollar and euro balances is based on variable interest rates. Interest rates earned at the year end are detailed in the table on page 44.

Operating and control environment risk

The Board is responsible for the Company's system of internal controls. The Manager and Administrator have in place control systems which include the custody and safeguard of the Company's assets, compliance with regulations (mainly Section 842 of the Income and Corporation Taxes Act 1988, Companies Act and Listing Rules) and the provision of accurate financial reporting.

There is a risk that the Manager and Administrator fail to ensure that their controls are performed in a satisfactory manner. The Board monitors the services and systems provided by the Manager and Administrator and reviews their internal control reports to ensure that a sound system of internal controls is maintained.

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.

Equiniti Limited
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 nominees 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. The Company's Sedol number is 3047468 and the ISIN number is GB0030474687.

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

SL Capital Partners LLP
1 George Street
Edinburgh EH2 2LL

Telephone 0131 245 0055

Fax 0131 245 6105

SL Capital Partners LLP 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

November – 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 28 January 2008 at 12.30pm.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the seventh 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 28 January 2008 at 12 30 p m, 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 2007, 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 2007 be approved
- 3 That a final dividend of 3 5p per ordinary share be declared
- 4 That Mr Buchan, who retires from office by rotation, be re-elected as a Director
- 5 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
- 6 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 £80,354 86, such authority to expire on 30 March 2009 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2009, 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

- 7 That, subject to the passing of resolution numbered 6 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 6 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 30 March 2009 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2009, 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 £15,982

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 7 the words "pursuant to the authority conferred by the resolution numbered 6 in the notice of the meeting" were omitted

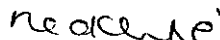
- 8 That, in substitution for any existing authority, the Company be generally and unconditionally authorised, in accordance with section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 0 2p each ("ordinary shares") 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 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

Notice of Meeting

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 30 March 2009 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2009, 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 

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 20 December 2007

Notes

The final dividend, if approved, will be paid on 1 February 2008 to ordinary shareholders on the Company's share register as at the close of business on 4 January 2008. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. If a shareholder wishes to appoint more than one proxy, each proxy must be appointed to exercise rights attaching to different shares held by the shareholder. A proxy need not 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, Equiniti Limited (formerly Lloyds TSB Registrars), Aspect House, Spencer Road, Lancing, West Sussex 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, 28 January 2008

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 28 January 2008 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

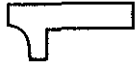
Ordinary Resolution	For	Against	Vote withheld
1 To receive the report and accounts for the year ended 30 September 2007			
2 To approve the Directors' Remuneration Report for the year ended 30 September 2007			
3 To approve a final dividend of 3 50p per ordinary share			
4 To re elect Mr Hamish Buchan as a Director			
5 To re appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration			
6 To authorise the Directors to allot shares in the Company up to an aggregate nominal amount of £80,354 86			
Special Resolution	For	Against	Vote withheld
7 To disapply statutory pre-emption rights			
8 To renew the Company's authority to purchase its own ordinary shares			

Signed _____ Date _____

Notes

- As a shareholder of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. 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. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
- 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.
- 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, Equiniti Limited (formerly Lloyds TSB Registrars), Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR, not later than 48 hours before the time appointed for the Meeting.
- 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.
- 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.
- 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.
- A 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

RESPONSE LICENCE NUMBER
SEA 10850



EQUINITI LIMITED
ASPECT HOUSE
SPENCER ROAD
LANCING
WEST SUSSEX
BN99 6ZR

Corporate Information

Registered Office

1 George Street
Edinburgh EH2 2LL
United Kingdom

Investment Manager

SL Capital Partners LLP
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

Equiniti Limited
PO Box 28448
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Edinburgh EH4 1WQ
United Kingdom