

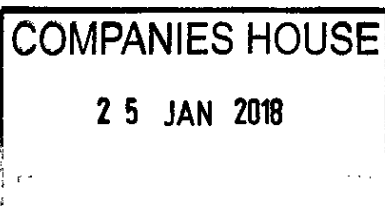
# Standard Life Private Equity Trust plc

Discover hidden depths,  
invest in private companies

## Annual Report & Financial Statements

For the year ended 30 September 2017

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## SL Capital Partners

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Standard Life Private Equity Trust plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# Strategic Report

## Key Performance Highlights

### Investment objective

To achieve long term total returns through holding a diversified portfolio of private equity funds, a majority of which will have a *European focus*.

### Our strategy

Standard Life Private Equity Trust plc ("the Company") provides investors access to a diversified portfolio of leading private companies. We do this by partnering with some of the best private equity managers to build an appropriately diversified portfolio by country, industry sector, maturity and number of underlying investments.

### Headlines for the year ended 30 September 2017

Net Asset Value  
("NAV")

**£599.0  
million**

**389.6p**  
per ordinary  
share

Market cap

**£525.0  
million**

**341.5p**  
share price

Share price  
total return

**31.9%**

**NAV**

total return  
**14.9%**

**Proposed full year dividend  
12.0p, Yield 3.5%\***

**Interim dividend  
6.0p per share**

\* based on the 30 September 2017 share price of 341.5p

**Committed  
£110.1  
million**

to four private equity funds

**Invested  
£20.2  
million**

through three secondary transactions

## **Management fee**

**Simple flat fee of 0.95% per annum  
based on the net asset value.**

**No performance fee.**

**Expense ratio of 1.14%**

**Outstanding commitments of**

**£325.6 million**

**to 51 private equity funds**

**Cash realisations  
£130.7 million**

2.0x cost on realised investments

**Cash invested  
£94.0 million**

in new private companies

**Cash balance  
£93.6 million**

**£505.1  
million**

**invested in**

**51** private  
equity  
funds

**Top private  
10 equity  
fund managers**

**59% of  
NAV\*\***

**NAV and share price performance\***

**Discount to  
net asset value 12.3%**

**Reduced from 22.8% at 30 September 2016**

\* All total return. Indexed to 30 September 2017.  
Source: The Manager and Thomson Reuters Datastream.

**Capital structure 153,746,294** ordinary shares of  
0.2p each

**Investment Manager**

**SL Capital Partners LLP, part of Aberdeen Standard Investments\***

\*Following the merger of Standard Life plc and Aberdeen Asset Management plc into Standard Life Aberdeen plc, Aberdeen Standard Investments became the brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments. Further information relating to the merger is provided on page 8.

\*\*59% represents the percentage of the Company's NAV invested with the 10 largest private equity fund managers in the portfolio.

All figures for the year ended 30 September 2017. A glossary of the private equity terms used above may be found on page 76.

# Strategic Report

## Chairman's Statement

**During the year to the end of September 2017, Standard Life Private Equity Trust's net asset value ("NAV") produced a total return of 14.9% and its share price delivered a total return of 31.9%. The MSCI Europe Index returned 19.1% over the same period.**

The returns generated by the Company have been strong in recent years and, although for much of that time its shares traded at a sizable discount to net asset value, I am pleased to report that as at the end of September this discount had narrowed to 12.3% from 22.8% twelve months earlier, reflecting the ongoing strong performance of the Company, the revised investment and dividend policies, combined with a tightening of discounts across the private equity investment trust sector.

At 30 September 2017, the Company's net assets were £599.0 million (30 September 2016: £532.6 million). The NAV per ordinary share rose 12.5% over the year to 389.6 pence (30 September 2016: 346.4 pence). This increase in NAV during the period comprised 12.4% of net realised gains and income from the Company's portfolio of 51 private equity fund interests, 3.1% of unrealised gains on a constant exchange rate basis and 1.2% of positive exchange rate movements on the portfolio. This is partially offset by 1.4% of other items, fees and costs as well as by 2.8% of dividends paid during the year.

The Company's performance has been boosted by strong trading in the underlying investee companies, as well as a positive flow of realisations as businesses are sold by the managers of the funds that make up the portfolio. In the year to 30 September 2017, these realisations totalled £130.7 million compared to £126.9 million in the previous year. Against this, £114.2 million was drawn down from the Company's resources to fund investee companies and secondary investments. This compares to £85.3 million for the prior year.

The net effect of these cash flows was that, as at the end of September, the Company had net liquid resources of £93.6 million (30 September 2016: £105.9 million). In support of the investment strategy, the Manager made four new fund commitments during the period, comprising €34.0 million to IK VIII, £22.0 million to HgCapital 8, €35.0 million to CVC Capital Partners VII and €30.0 million to Nordic Capital Fund IX. Furthermore, the Manager undertook three secondary fund purchases, acquiring original commitments of €20.0 million to Nordic Capital VII, as well as \$3.1 million to TowerBrook Investors III and \$1.6 million to TowerBrook Investors IV. As a result of these investment activities, at 30 September 2017 the Company had total outstanding commitments of £325.6 million, compared to £305.9 million a year earlier, while the portfolio of 51 private equity fund interests was valued at £505.1 million (30 September 2016: 49 funds valued at £433.4 million).

In line with the Company's new policy of paying a minimum annual dividend of 12.0 pence per share, the Board has proposed a final dividend for the year ended 30 September 2017 of 6.0 pence per share (2016: 3.6 pence per share). The final dividend, together with the interim dividend of 6.0 pence per share, totals 12.0 pence per share (2016: 5.4 pence per share) for the year, to be paid on 31 January 2018 to shareholders on the Company's share register at 5 January 2018. The Board is committed to maintaining the real value of this enhanced dividend, in the absence of unforeseen circumstances. Additionally, I am pleased to announce that the Company will be moving to quarterly dividend payments, with the final dividend continuing to be subject to shareholder approval.

# Strategic Report

## Chairman's Statement

The Standard Life Private Equity Trust portfolio remains predominantly focused on buy-out managers who have been able historically to generate value through operational improvements and strategic repositioning, and who the Manager believes are well placed to do so going forward. Consistent with the Company's investment strategy, and with Europe continuing to be an attractive region for private equity investment, the majority of the Company's portfolio has a European focus. Nonetheless, the broadening of the Company's investment policy agreed at the last Annual General Meeting has allowed the Manager to consider a number of opportunities further afield.

Overall, the global private equity market remains competitive, with significant amounts of funds having been raised. The managers of many funds the Company is invested in continue to report positive earnings growth across their investee companies. In addition, the Company continues to benefit from strong levels of exit activity across the portfolio and, absent any major shocks, the Manager expects this to continue over the course of the next year. Such exit activity should result in further realised and unrealised gains being generated, helping the Company to build on the robust performance of recent years.

The Company's underlying portfolio has broad geographic diversification with UK-based underlying portfolio companies making up 13% of the Company's portfolio. In general, the UK-based businesses continue to perform well despite the recent major political events, such as Brexit. It is not possible to predict the ultimate impact of Brexit with certainty. However, your Board and the Manager continues to monitor ongoing developments and their potential effects on the Company and its portfolio.

The Board remains committed to maintaining capital discipline. Cash inflows will be invested in a mix of new fund commitments, secondary fund purchases and, when appropriate, share buy-backs.

The Board is also pleased to note that the Company won the award for the Private Equity Investment Trust of The Year, awarded by Investment Week in November 2017. The Investment Week awards aim to recognise and award excellence in closed-ended fund management. The award affirms your Board's belief that the best private equity managers will generate strong positive returns over the long term and that the Company is well positioned to capture these returns for its shareholders.

**Edmond Warner, OBE**  
**Chairman**

30 November 2017



### **Directorate Changes** **Retirement of Directors**

The Board of the Company announced the retirement of David Warnock as Director from 7 June 2017 after almost nine years. David retired as part of the Board's ongoing succession plans.

Additionally, Alastair Barbour has decided to step down from the Board on 29 December 2017, after nearly seven years as a Director. Alastair has also served as the Chair of the Audit Committee since 2012.

The Directors would like to record their thanks to David and Alastair for the valuable contributions they have made to the deliberations of the Board during their time in office.

### **Appointment of Directors**

The Board was pleased to announce the appointment of Diane Seymour-Williams as an independent non-executive Director with effect from 7 June 2017.

The Board is also pleased to announce the appointment of Calum Thomson as an independent non-executive Director, with effect from 30 November 2017. Calum will assume the role of Audit Committee Chair on Alastair Barbour's departure.

Short descriptions of Diane's and Calum's backgrounds are shown on page 34.

# Strategic Report

## Company Update

The purpose of this report is to provide shareholders with details of the Company's strategy and business model, as well as the principal risks and challenges the Company has faced during the year under review.

The Board is responsible for the stewardship of the Company, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management. Biographies of the directors can be found on page 34.

The Board has contractually delegated the management of the investment portfolio to the Manager, SL Capital Partners LLP ("SL Capital" or "the Manager"). A summary of the terms of the Investment Management Agreement is contained in the Directors' Report on page 36.

### Investment objective

The investment objective is to achieve long-term total returns through holding a diversified portfolio of private equity funds, a majority of which will have a European focus.

### Investment policy

The principal focus of the Company is to invest in leading private equity funds and to manage exposure through the primary and secondary funds markets. The Company's policy is to maintain a broadly diversified portfolio by country, industry sector, maturity and number of underlying investments. In terms of geographic exposure, a majority of the Company's portfolio will have a European focus. The objective is for the portfolio to comprise around 35 to 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.*

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 cash flows to and from the portfolio of fund investments and, from time to time, may use borrowings to meet drawdowns.

The Company's non-sterling currency exposure is principally to the euro and US dollar. 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 in private equity funds is invested in short dated government bonds, money market instruments, bank deposits or other similar investments. Cash held pending investment in private equity funds may also be invested in funds whose principal investment focus is listed equities or in listed direct private equity investment companies or trusts. These investments may be in sterling or such other currencies to which the Company has exposure.

The Company will not invest more than 15% of its total assets in other listed investment companies or trusts.



# Strategic Report

## Company Update

### Benchmark

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 at least annually.

### Borrowings

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 reserves of the Company, all based on the latest audited Statement of Financial Position. It is expected that bank borrowings would not exceed more than 30% of the Company's net assets.

### Update on borrowings

The Company has an £80 million syndicated revolving credit facility, entered into, on 18 September 2015. The expiry date of this facility is 31 December 2020. Under this facility the Company must repay each loan under the facility on the last day of the specified interest period of the loan, but any such amounts may be reborrowed. If any person or group of persons acting in concert gains control of the Company; or Standard Life Aberdeen plc ceases to be the beneficial owner directly or indirectly through wholly-owned subsidiaries of more than 25.01% of the issued share capital of the Company; or Standard Life Aberdeen plc directly or indirectly through wholly-owned subsidiaries ceases to control the Investment Manager or to be the beneficial owner of more than 50.01% of the issued ordinary share capital of the Investment Manager, the Company will be required to notify the Agent and the syndicated revolving credit facility may be cancelled. In the event of such cancellation the Company will then have to repay all outstanding loans together with accrued interest. At 30 September 2017, £nil of the loan facility was drawn down.

### Review of Performance

An outline of the performance, market background, investment activity and portfolio during the year under review and the performance over the longer term, as well as the investment outlook, are provided in the Key Performance Highlights, Chairman's Statement, Portfolio Performance, Investment Activity and the Portfolio Review. Details of the Company's fund investments can be found on page 30. The ten largest funds are shown on pages 27 and 28 and the top 30 underlying private company investments are shown on page 29.

### Strategy Implementation

SL Capital is one of the largest investors in private equity funds and co-investments in Europe. One of the key strengths of the investment team is their extensive fund and direct deal experience, which gives the Manager greater insight into the strategies, processes and disciplines of the funds invested in and allows better qualitative judgements to be made.

# Strategic Report

## Company Update

The investment strategy employed by the Manager in meeting the investment objective involves a detailed and rigorous screening and due diligence process to identify and then evaluate the best private equity fund offerings. The Manager concentrates on opportunities in the buy-out segment of the European private equity market, but, where it is relevant to a particular investment mandate, it also considers funds targeted on the venture, growth and turnaround equity segments, as well as funds focused on particular sectors or geographies.

The private equity asset class has historically exhibited a wide dispersion of returns generated by fund investments and the Manager believes that appropriate portfolio construction and manager selection is vital to optimise investment performance. In that regard, the objective is for the Company's portfolio to comprise around 35 to 40 "active" private equity fund investments at any one time, with portfolio diversification being controlled through percentage concentration limits applied at an individual fund and manager level.

Finally, the Manager believes that as one of the largest and most experienced private equity investors in Europe, it is able to source and invest in premier private equity funds, where knowledge of and access to these funds are sometimes limited.

### 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, which include:

- net asset value total return
- projected and actual portfolio cash flows
- share price discount and discount volatility
- share price total return
- expenses and expense ratio

The net asset value and share price performance for the one year and five years ended 30 September 2017, and since listing, are provided in the Financial Summary on page 16. The Company's share price discount levels are provided on page 16. An analysis of the portfolio cash flows, including drawdowns, distributions and fund commitments, is provided in the Investment Activity section of the Strategic Report on pages 17 to 18.

### Viability Statement

In accordance with Provision C.2.2 of the UK Corporate Governance Code revised in April 2016 and Principle 21 of the AIC Code of Corporate Governance revised in July 2016, the Board has assessed the Company's prospects for a five year period. The Board considers five years to be an appropriate period for an investment trust company with a portfolio of private equity funds and is based on the financial position of the Company as detailed in the Chairman's Statement, and the Portfolio Review in these Annual Report and Financial Statements.

# Strategic Report

## Company Update

In determining this time period the directors considered the nature of the Company's fund commitments and the Company's associated cash flows. Generally the private equity funds in which the Company invests call monies over a five year period, whilst they are making investments, and these drawdowns for funds which are investing should be offset by the more mature funds, which are realising their investments and distributing cash back to the Company. The Manager presents the Board with a comprehensive review of the Company's detailed cash flow model on a regular basis, including projections for up to ten years ahead depending on the expected life of the commitments. This analysis takes account of the most up to date information provided by the underlying fund managers, together with the Manager's current expectations in terms of market activity and fund performance.

The directors have also carried out a robust assessment of the principal risks as noted below and discussed in note 18 to the financial statements that are facing the Company over the period of the review. These include those that would threaten its business model, future performance, solvency or liquidity. These include, in particular, over-commitment risk. By having a portfolio of fund investments, diversified by manager, vintage year, sector and geography, and by assessing market and economic risks as decisions are made on new commitments, the directors believe the Company is well placed to take advantage of economic cycles. The directors are also aware of the Company's indirect exposure to ongoing risks through underlying funds. These are continually assessed by the Manager monitoring the underlying managers themselves and by participation on fund advisory boards.

Based on the results of this analysis, and the ongoing ability to adjust the portfolio, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period following the date of this report.

### Standard Life Aberdeen

In March 2017, the Boards of Standard Life plc and Aberdeen Asset Management plc announced their intention to merge the companies. This decision was approved by the shareholders of each company in June and the two companies came together in August 2017. The Board is paying close attention to this and any possible implications for the management of the Company. It is still very early days, but the Board has been assured that the personnel and processes that have been pivotal in delivering the returns that shareholders have received will continue to operate for the Company.

### Social, Community, Employee Responsibilities and Environmental Policy

As an investment trust, the Company has no direct social, community, employee or environmental responsibilities. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly invested and managed. Further information on the Manager's policy on sustainable and responsible investing is provided on page 44. The Company has no employees and has no requirement to report separately on this area, as the management of the portfolio has been delegated to the Manager. Details of the Investment Management Agreement are provided on page 36.

### Gender Representation

At 30 September 2017, there were three male directors and two female directors on the Board. The Board's approach to diversity is set out in the Report from the Nominations Committee on page 43.

MAVEN CAPITAL PARTNERS UK LLP,  
SECRETARY  
By order of the Board *Caroline Khan*  
Maven Capital Partners UK LLP  
Company Secretary  
30 November 2017  
AUTHORISED SIGNATORY

# **Strategic Report**

## **Principal Risks and Uncertainties**

The principal risks faced by the Company relate to the Company's investment activities and these are set out below:

- market risk
- currency risk
- over-commitment risk
- liquidity risk
- credit risk
- interest rate risk
- operating and control environment risk

The financial risk management objectives and policies of the Company are contained in note 18 to the Financial Statements which can be found on pages 66 to 69 of this Annual Report. The over-commitment as well as the operating and control environment risks are described on page 74 of this Annual Report.

In addition to this, the Board has in place a robust process to assess and monitor the operating and control environment risks of the Company. A core element of this is the Company's Financial Systems and Controls Report which provides details of the operational procedures and compliance controls implemented and maintained by the Manager to safeguard the assets of the Company and to manage its affairs properly.

# Strategic Report

## Investment Strategy

**The strategy of the Company is to provide investors with access to a portfolio of leading private companies. This is delivered through the investment objective, which is to achieve long-term total returns through holding a diversified portfolio of private equity funds, a majority of which will have a European focus.**

The Company invests in private equity funds run by some of the leading private equity managers, who have the expertise to source, grow and exit private companies, generating attractive investment returns. The funds invest in mature businesses primarily through management buy-out transactions. The portfolio of active private equity funds will build an underlying portfolio of around 350 private companies.

The long-term total returns come from both capital gains and dividends. The Company offers a progressive dividend of 12.0 pence per share for the year to 30 September 2017 (equivalent to 3.5% yield based on the 30 September 2017 share price), rewarding shareholders for their patience as capital value grows over the three to five year private equity investment cycle.

The Company is listed on the London Stock Exchange, so investors can access exposure to leading private companies simply by buying shares in the Company.

# How the Company invests in private equity funds

The Company invests in private equity funds in two ways:

- Primary      ► the managers of private equity funds look to raise fresh capital to invest, typically every five years, and the Company commits to investing in such funds. The capital committed to a fund will generally be drawn over a five year period as investments in private companies are made. Proceeds are then returned to the Company when the underlying companies are sold during the life of the fund – this is known as a primary investment.
- Secondary   ► once a private equity fund is raised, no new investors are permitted into the fund. However, an existing investor may exit by selling their interest to another investor. The Company can negotiate to acquire such an interest that will comprise of a portfolio of mature private companies. This is known as a secondary transaction.

Over time, the combination of primary and secondary investments is used to deliver value to the Company's shareholders.

## The investment cycle

The Company makes commitments to invest in private equity funds. These funds generally draw capital over five years, to acquire majority investments in the management buyouts of private companies. The Company will make several new fund commitments on an annual basis. After a number of years, the funds sell the underlying private companies to industry buyers, other private equity groups or exit through IPO's on listed markets. The private companies held by the Company's investments acquired through secondary transactions often return cash faster. This is because the private company investments are more mature at the time of the Company's investment. The cash proceeds from these exits are returned to the Company and the investment cycle starts again in a continuous flow.

# **The private equity investment model**

The private equity investment model focuses on acquiring majority equity investments in private companies. The private equity fund managers we select are experienced at transforming private companies through operational improvement and strategic repositioning away from the glare of listed markets to turn them into attractive market leaders that can then be sold in a typical three to five year investment cycle.

# **Strategic Report**

## **The Manager**

**SL Capital Partners LLP (“SL Capital” or “The Manager”) is part of Aberdeen Standard Investments. We have fulfilled the role of Manager since the launch of the Company in 2001 and deploy a consistent strategy that gives shareholders access to a diversified portfolio of private company investments that have generated attractive investment returns. Our investment team is experienced in investing alongside leading global private equity managers and can be relied upon to select the some of the best opportunities, supported by the broad resources of Aberdeen Standard Investments.**

***Find out more about the team leading the drive to deliver shareholder value for the Company at [www.slpct.co.uk](http://www.slpct.co.uk) and the broader resources and investment strategies of SL Capital on our website at [www.slcapital.com](http://www.slcapital.com)***



# Strategic Report

## The Manager

**The team is headquartered in Edinburgh, United Kingdom with investment professionals worldwide. We have raised private equity funds on behalf of clients globally, from leading institutional investors in the UK, US, Australia, Canada and Europe, to family offices and high net worth individuals.**

SL Capital is a significant investor in private equity funds and secondary transactions in Europe and North America. A key strength of the investment team is their extensive fund and direct deal experience, which gives us insight into the strategies, processes and disciplines of the funds we invest in and allows better qualitative judgements to be made. We undertake detailed and rigorous screening and our due diligence process will identify and evaluate the best private equity fund offerings and secondary transactions.

We concentrate on opportunities in the buy-out segment of the private equity market and as one of the largest and most experienced private equity investors, are able to find and invest in premier private equity funds, where access can be limited.

# Strategic Report

## Portfolio Performance

### Headlines at 30 September 2017

#### SHARE PRICE

from 267.3p - 341.5p

#### NET ASSET VALUE

from 346.4p - 389.6p

**51** private equity funds  
with a portfolio value of  
**£505.1 million**

**Realised £130.7 million**  
through exits from the portfolio

#### DISCOUNT

from 22.8% - 12.3%

#### FINAL DIVIDEND

**12.0p** proposed  
full year dividend, 3.5% yield\*

**Committed £110.1 million**  
to four private equity funds

**Invested £94.0 million**  
into new private companies

\* based on the 30 September 2017 share price of 341.5p

**Net assets**

**£599.0 million**

**Invested £20.2 million**  
through three secondary transactions

**Net liquid resources of £93.6 million**

		Annualised		
Total return <sup>(2)</sup>	6 months %	1 year %	5 years %	Since inception % <sup>(3)</sup>
SLPET NAV	+7.0%	+14.9%	+13.5%	+9.9%
SLPET share price	+13.4%	+31.9%	+18.9%	+9.3%
FTSE All-Share Index <sup>(1)</sup>	+3.6%	+11.9%	+10.0%	+5.8%
MSCI Europe Index (£) <sup>(1)</sup>	+6.9%	+19.1%	+13.1%	+6.2%
LPX Europe Index (£) <sup>(1)</sup>	+16.8%	+27.4%	+21.5%	+7.2%

<sup>(1)</sup> The Company has no defined benchmark; the indices above are solely for comparative purposes.

<sup>(2)</sup> Includes dividends reinvested.

<sup>(3)</sup> The Company was listed on the London Stock Exchange in May 2001.

# Strategic Report

## Investment Activity

### Fund investment portfolio valued at £505.1 million

The value of the Company's portfolio of 51 private equity fund interests increased from £433.4 million at 30 September 2016 to £505.1 million at 30 September 2017. The increase in value was a result of new private company investments funded through drawdowns of £94.0 million from the Company's private equity funds, three secondary purchases of £20.2 million and realised gains of £50.1 million from full and partial exits, unrealised gains of £22.4 million (net of foreign exchange), offset by realised proceeds of £115.0 million. The largest 10 private equity fund investments at 30 September 2017 are highlighted on pages 27 to 28.

**Movement in portfolio valuation between  
30 September 2016 and 30 September 2017**

### The Company invested £94.0 million in new private companies

New investment pace was ahead of prior year in terms of quantum invested as our private equity fund managers deployed capital, purchasing businesses in an active private equity market.

Advent International GPE VIII £17.0m  
Exponent Private Equity Partners III £10.6m  
Bridgepoint Europe V £9.1m  
PAI Europe VI £7.4m  
IK VIII £7.3m  
Remaining funds £42.6m

### £20.2 million was invested to acquire secondary purchases in three funds

During the year, three private equity fund interests were acquired: a €20.0 million original commitment to Nordic Capital VII, \$3.1 million to TowerBrook Investors III and \$1.6 million to TowerBrook Investors IV. Combined, these interests had outstanding commitments of £2.1 million at 30 September 2017.

The Manager continues to be disciplined and highly selective in a competitively priced secondary market.

# Strategic Report

## Investment Activity

### **The Company received £130.7 million of distributions (including net income of £15.7 million) through the exit of private companies and other partial realisations**

Exit activity from the funds was driven by the *continued strong appetite for high quality private equity companies* and the majority of realisations were at a premium to the last relevant valuation.

Nordic Capital Fund VII £15.2m  
CVC European Equity Partners V £12.6m  
Equistone Partners Europe Fund IV £11.4m  
BC European Capital IX £7.9m  
Industri Kapital 2007 £7.5m  
Remaining funds £76.1m

### **Average multiple on realised investments was 2.0 times invested cost**

In the year to 30 September 2017, the private equity funds generated strong returns from their portfolio of private companies, consistent with prior years. This long-term performance is underpinned by the quality of the assets and the value-add delivered by our private equity managers.

*Average multiple on exited investments*

### **Net unrealised gains from the portfolio of investments were £22.4 million**

The movement over the year represented an unrealised valuation gain on constant currency basis of £16.2 million and a foreign exchange gain of £6.2 million.

*Top five net unrealised gains*

# Strategic Report

## Portfolio Review

### Total outstanding commitments of £325.6 million to 51 private equity funds at 30 September 2017

The total new commitments of £114.0 million comprise new primary fund commitments of £110.1 million and commitments of £3.9 million acquired in secondary transactions, offset by fund drawdowns of £94.0 million during the period. The manager continues to estimate that around £60.0 million of outstanding commitments, predominately relating to funds outwith their investment period, will not be drawn.

Total outstanding commitments	Total new commitments	Fund drawdowns
<b>£325.6 million</b>	<b>£114.0 million</b>	<b>£94.0 million</b>

Movement in outstanding commitments and drawdowns between 30 September 2016 and 30 September 2017

### New commitments

Four new primary commitments of £110.1 million were made in the year to 30 September 2017. A £30.3 (£34.0) million commitment was made to IK VIII in October 2016. Managed by IK Investment Partners, the €1.9 billion fund will invest in buyouts in Northern Continental Europe.

£22.0 million was committed to HgCapital 8 in February 2017. Managed by HgCapital, the £2.5 billion fund targets resilient companies with robust and protected business models primarily in the UK and Germany.

A £30.1 (£35.0) million commitment was made to CVC Capital Partners VII in May 2017. Managed by CVC Capital Partners, the €16 billion fund focuses on Western Europe, with capped exposure to the US (25%) and the rest of the world (12.5%).

£27.7 (£30.0) million was committed to Nordic Capital Fund IX in August 2017. The €4.0 billion fund focuses on businesses in Northern Europe, primarily in the Nordic, German, Austrian and Swiss regions.

In addition, secondary investments in Nordic Capital Fund VII, TowerBrook Investors III and IV added £3.9 million to the total outstanding commitments during the period.

### Primary fund commitments

**£110.1 million**

### New commitments from secondary transactions

**£3.9 million**

Manager	Fund	Commitment £m	
IK Investment Partners	IK VIII	30.3	Primary
CVC Capital Partners	CVC Capital Partners VII	30.1	Primary
Nordic Capital	Nordic Capital Fund IX	27.7	Primary
HgCapital	HgCapital 8	22.0	Primary
TowerBrook Investors	TowerBrook Investors III	2.5	Secondary
TowerBrook Investors	TowerBrook Investors IV	1.2	Secondary
Nordic Capital	Nordic Capital Fund VII	0.2	Secondary

# Strategic Report

## Portfolio Review

### Outstanding commitments

#### Outstanding commitments

The outstanding commitments in excess of available liquid resources, including cash and the undrawn debt facility, as a percentage of the net asset value was 25.4%, below the long-term target range of 30%-75%, highlighting the prudent approach to over-commitments adopted by the Manager in the current market environment.

### Liquid resources

Over the period, the portfolio generated cash inflows of £130.7 million from realised investments, partially offset by new investment activity of £94.0 million and secondary purchases of £20.2 million resulting in net investment inflows of £16.5 million. Including dividends paid and FX movements, net liquid resources were £93.6 million at 30 September 2017, down from £105.9 million at 30 September 2016.

#### Investment cash flows

#### Net investment cash flows

### Portfolio construction

Primary buy-out funds 85%  
Buy-out funds acquired  
via secondary market 15%

Investments in buyout funds through primary commitments and buyout funds acquired via secondary transactions represent 100% of the portfolio and demonstrates the core focus on buyouts as the prime investment strategy for investing in private companies. 15% of the portfolio was acquired through secondary purchases and it is expected that this will increase over time.

# Strategic Report

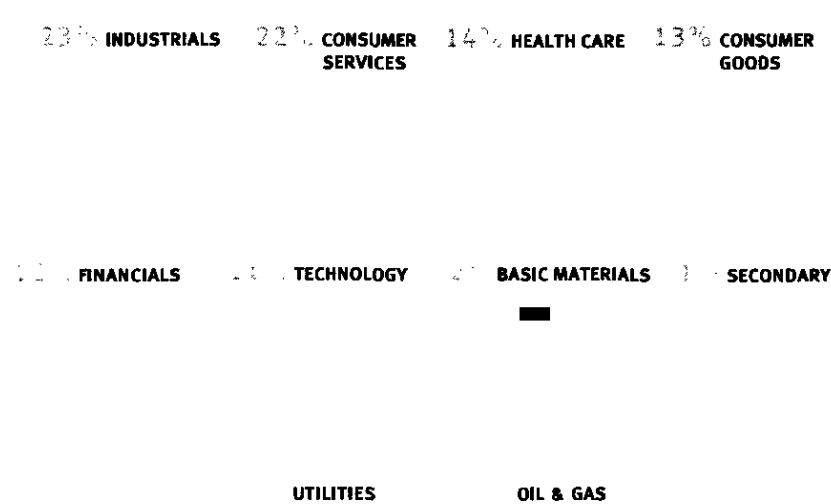
## Portfolio Review

### Geographic exposure

81% of the portfolio at 30 September 2017 is invested in Europe and this will likely continue to be the majority of exposure over the short to medium term, with 16% invested in North America. Investments in Europe are weighted towards Northern Europe, with a focus on the Scandinavian, French, Benelux, German and UK markets. The portfolio is deliberately underweight Southern Europe as these private equity markets have historically underperformed. The North American exposure relates primarily to investments in companies made by the European-based managers through their allocation to global deals. However, following the broadening of the investment policy, the Manager will also consider making commitments to domestic US managers where attractive.

### Sector exposure

The Company's sector diversification is a product of the underlying investment strategy of the private equity funds, built around their specific sector expertise. The portfolio is invested in fast growth sub-sectors within the broad sector strategies. In recent years, healthcare, financials and technology (mature software businesses) have increased in significance with consumer-focused and industrial companies retaining their importance. The portfolio is light in the cyclical sectors of oil and gas, utilities and mining.



# Strategic Report

## Portfolio Review

### Maturity exposure and portfolio value growth

The maturity exposure highlights the balanced nature of the portfolio. The typical hold period prior to the exit of a private equity backed company is four to six years. With 36% of the portfolio in the five years or older category, cash generation is therefore expected to remain positive. Portfolio maturity is managed through both primary commitments and secondary transactions with the objective of achieving balanced exposures over vintage years. 0.9% of the portfolio is exposed to the pre-2007 period and 7% of the portfolio is valued below cost.

As can be seen from the chart, there is a continual progression in value creation as the portfolio of private companies matures. The development from 1.1 times cost for the year one vintage through to 2.1 times cost in the five year plus vintage demonstrates the value creation the private equity fund managers achieve through active management. With realised returns from all exited investments of 2.0 times cost for the year to 30 September 2017, the portfolio remains conservatively valued.

### Portfolio valuation and leverage multiple analysis

The top 50 private companies that represent 41.9% of the net asset value at 30 June 2017 (being the most recent data) had a median valuation multiple, based on the Enterprise Value (EV) / Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), of 11-12x. Those valued at a multiple greater than 15x are generally highly rated private companies that command strategic premiums. Median Net Debt / EBITDA in the portfolio at 4-5x was consistent with the prior period. The private equity fund managers are prudent in the levels of leverage applied to their portfolio companies and debt markets remain open for both new transactions and refinancing on attractive terms.

Both metrics are in line with the private equity market for similar sized deals and vintages. However, the portfolio of private companies typically does have higher levels of leverage compared to public markets. Offsetting this, the loss ratio as a percentage of total cost over the past 5 years was 5.0%, indicating that the private equity fund managers are managing this risk appropriately.

Multiple of enterprise value / EBITDA\*

EV / EBITDA Multiple  
Multiple of net debt / EBITDA



# Strategic Report

## Portfolio Review

### Primary Investment Market

On the back of increasing allocations to private equity, the fundraising environment in Europe and North America for leading private equity fund managers is strong. The amount of capital raised for private equity has reached record levels, approaching approximately \$900 billion in Q3 2017. 2016 was a record year for global private equity fund raising, with 2017 on track to be another record year. The majority of this (c\$600 million) is held by buyout funds of which \$353 billion is held in the US, which is circa. 90% above the post-crisis low point, and 30% above its previous peak in 2008/09. At \$182 billion, the capital raised for European buyouts is approximately 50% above the post-crisis low point in 2012 and nearly 10% above its previous peak in 2008/09. The capital raised for North American and European private equity now represents around 3.6 years and 3.4 years of investment capacity respectively, up from 2.9 years and 3.3 years respectively at December 2015.

Average purchase price multiples for new investment activity have continued to rise as a result of the available equity capital and high levels of competition for quality companies. Average multiples have increased by 1.0-1.5x EBITDA over the last five years to around 9.0-9.5x in Europe which remains around 1.0x lower than the US market. While debt markets continue to be highly liquid and supportive of private equity transactions, funding structures remain relatively conservative, with equity tending to represent 45-50% of the average purchase price.

Overall, the Company has seen a steady pace of activity over the past few years and it is expected that the levels of new investment and realisation activity will remain robust over the coming year. This is driven, in part by Europe and North America having a large population of privately owned small- and medium-sized enterprises, providing significant opportunity for private equity managers. European and North American private equity firms also account for the significant majority of all private equity firms globally and, given the attractive dynamics in these markets, they will continue to be the focus of the Company.

### Secondary Transaction Market

Secondary market activity has picked up since 2016, with the volume of deals transacted in the first half of 2017 ("H1 2017") estimated at \$22.0 billion\*, up from the \$12.0 billion transacted in the first half of 2016. This has been driven by a more favourable macro environment, which has provided both buyers and sellers with more confidence to transact in the secondary market. Notably, there was a significant increase in the number of larger transactions (greater than \$1 billion in size), of which there were seven brought to market in H1 2017 compared to only five that were completed in the whole of 2016. With transaction volumes typically weighted more heavily toward the second half of the year, most commentators expect deal volumes for the whole of 2017 to be back up at or above the historic record levels of 2014 and 2015.

Average pricing for secondaries, in general, has increased. This is likely to be a result of a combination of factors, with secondary buyers anticipating further positive value accretion in private equity portfolios, a better quality mix of assets being transacted, and increasing pressure on secondary buyers to deploy capital in a buoyant fund-raising market. It is worth noting that average pricing for buyout interests, that are the Company's core focus, moved up to 98% of NAV, the highest level in ten years. Furthermore, the more recent-vintage funds (2010 and onwards), are often now trading at prices of 105% of NAV or higher.

While the Company has continued to acquire high quality private equity funds in the secondary market during the period, a number of transactions were declined due to high price levels. The Manager continues to originate and analyse a variety of secondary opportunities that could fit with the Company's portfolio, but remains highly selective given the current macro and secondary pricing environment.

\* Source: Greenhill (July 2017).

# Strategic Report

## Portfolio Review

### Liquidity Management

The cash balances held by the Company are presently invested in cash and cash equivalent accounts with three institutions, BNP Paribas, Societe Generale and Standard Life Investments. The Manager is able to invest up to 15% of its NAV in listed equities or listed direct private equity investment companies or trusts.

### Fund Valuations

The valuation of the Company's private equity fund interests at the period-end was carried out by the Manager and has been approved by the Board in accordance with the accounting policies. 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 prepared in accordance with the International Private Equity and Venture Capital Valuation guidelines.

These guidelines require investments to be valued at "fair value", which is the price at which an orderly transaction would take place between market participants at the reporting date. In addition, through its advisory board relationships and contacts with the relevant fund managers, the Manager is able to consider the appropriateness of the valuation methodologies employed.

A full list of fund investments is provided on page 30 and more details of the largest 10 funds can be found on pages 27 to 28.

Of the 51 private equity funds in which the Company is invested, 40 funds, or 98.6% of the portfolio by value, were valued by their fund managers at 30 September 2017. The Manager continues to believe that the use of such timely valuation information is important. For four funds, or 0.5% of the portfolio by value, the last available valuations from the fund managers at 30 June 2017 were adjusted for any subsequent cash flows occurring between that date and 30 September 2017. The remaining seven funds are in liquidation.

The valuation multiples of each underlying private company are derived by the fund managers using relevant listed comparable companies, adjusted where appropriate, in line with the International Private Equity and Venture Capital Valuation guidelines.

### Foreign Exchange

During the year, sterling appreciated against the euro by 1.8% and depreciated by 3.3% against the US dollar. This had a net positive impact on the Company's NAV. The sterling/euro exchange rate at 30 September 2017 was £1/€1.1349 and the sterling/dollar exchange rate was £1/\$1.3417. The combined effect of foreign exchange movements on the valuation of the portfolio over the year was a 4.1 pence, or 1.2% increase in NAV.

The Manager and the Board do 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 cash flows to and from its fund interests. Any cash balances and bank indebtedness are held in sterling, euro and US dollars, broadly in proportion to the currency of the Company's outstanding fund commitments.

### Diversification

The Board has agreed diversification limits with the Manager regarding the Company's net asset value 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. At 30 September 2017, the Company was invested in 51 different private equity funds, which collectively had interests in 374 separate companies and 107 other private equity funds.

Details of the largest ten underlying private companies can be found on pages 25 to 26 and further information on the largest 30 underlying private companies can be found on page 29.

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 value relative to original cost. Such information is used by the Manager in reviewing the 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 cash flows.

# Strategic Report

## Largest 10 Underlying Private Companies

at 30 September 2017

**1**  
**7.1%**  
of NAV

**Sector:** Consumer services  
**Location:** Netherlands  
**Year of Investment:** 2011  
**Private Equity Fund Manager:** 3i plc  
**Fund Investment:** 3i Eurofund V  
**Company Website:** [www.action.nl](http://www.action.nl)

Since its establishment in 1993, Benelux-based Action has grown into the leading non-food discount retailer in the region with more than 800 stores and over 32,000 employees. The business generates sales of over €2bn per annum.

**2**  
**2.3%**  
of NAV

**Sector:** Consumer services  
**Location:** Germany  
**Year of Investment:** 2007/2010 /2013  
**Private Equity Fund Manager:** 3i plc  
**Fund Investment:** 3i Eurofund V  
**Company Website:** [www.scandlines.de](http://www.scandlines.de)

Scandlines is a European ferry operator established in 1998 by a merger of the largest national ferry companies in Denmark and Germany. It specialises in rapid, reliable and comfortable transportation of passengers and freight in Danish and German coastal waters.

**3**  
**1.2%**  
of NAV

**Sector:** Financials  
**Location:** Sweden  
**Year of Investment:** 2014  
**Private Equity Fund Manager:** Nordic Capital  
**Fund Investment:** Nordic Capital Fund VIII  
**Company Website:** [www.bambora.com](http://www.bambora.com)

Bambora is a fast-growing Swedish payment solutions provider launched in 2015 by Nordic Capital following a carefully crafted acquisition strategy and significant investment in products, capability and the organisational framework. Bambora offers its customers payment services for physical store, e-commerce and mobile commerce globally.

**4**  
**1.1%**  
of NAV

**Sector:** Financials  
**Location:** Norway  
**Year of Investment:** 2014  
**Private Equity Fund Manager:** Nordic Capital  
**Fund Investment:** Nordic Capital Fund VIII  
**Company Website:** [www.lindorff.com](http://www.lindorff.com)

Founded in 1898 in Norway, Lindorff is today a full-service European credit management service provider. Over the past 10 years, the company has expanded its geographic presence, first to become a true Nordic market leader and then to take leading positions in Germany, Spain and the Netherlands. Lindorff operates in 12 countries in Europe, providing a range of products and services.

**5**  
**1.1%**  
of NAV

**Sector:** Industrials  
**Location:** Germany  
**Year of Investment:** 2007  
**Private Equity Fund Manager:** IK Investment Partners  
**Fund Investment:** Industri Kapital 2007  
**Company Website:** [www.schenckprocess.com](http://www.schenckprocess.com)

Schenck Process is one of the global market leading providers of industrial weighing, feeding, screening and automation equipment and solutions. With operations in Europe, North and South America, China and Australia, it serves a diversified customer base across a wide range of business segments.

# Strategic Report

## Largest 10 Underlying Private Companies

at 30 September 2017

6

1.0%  
of NAV

**Sector:** Industrials  
**Location:** Germany  
**Year of Investment:** 2013  
**Private Equity Fund Manager:** CVC Capital Partners  
**Fund Investment:** CVC European Equity Partners V  
**Company Website:** [www.ista.com](http://www.ista.com)

ista is one of the world's leading companies providing energy management services for greater energy efficiency in buildings. Founded in 1957, ista is present in 24 countries including China, Russia and the United Arab Emirates as well as in most European markets.

7

1.0%  
of NAV

**Sector:** Consumer goods  
**Location:** Sweden  
**Year of Investment:** 2010  
**Private Equity Fund Manager:** Nordic Capital  
**Fund Investment:** Nordic Capital Fund VII  
**Company Website:** [www.handicare.com](http://www.handicare.com)

Handicare was founded in 1986 and supplies technical aids for the elderly and physically disabled. Its products include homecare products (such as stairlifts), patient handling and bathroom safety products, and personal transfer and automobile adaptation solutions.

8

1.0%  
of NAV

**Sector:** Industrials  
**Location:** USA  
**Year of Investment:** 2012  
**Private Equity Fund Manager:** TowerBrook Capital Partners  
**Fund Investment:** Tower Brook Investors III  
**Company Website:** [www.vistage.com](http://www.vistage.com)

Vistage delivers subscription-based leadership development and business value to CEOs and key executives in the United States and around the world through a professionally-facilitated peer-advisory process, one-on-one coaching and mentoring, content from experts, and connectivity forums.

9

0.9%  
of NAV

**Sector:** Financials  
**Location:** United Kingdom  
**Year of Investment:** 2012  
**Private Equity Fund Manager:** Cinven  
**Fund Investment:** Fourth Cinven Fund  
**Company Website:** [www.cpaglobal.com](http://www.cpaglobal.com)

CPA Global is a leading software and services business focused on the Intellectual Property ("IP") industry. The company offers corporates and law firms a broad range of software and services across the IP life cycle, ensuring an IP owner's rights are protected, maintained and regularly reviewed in order to maximise value. CPA is a global leader in its core business of patent renewals, as well as in IP management software.

10

0.9%  
of NAV

**Sector:** Industrials  
**Location:** United Kingdom  
**Year of Investment:** 2016  
**Private Equity Fund Manager:** Bridgepoint  
**Fund Investment:** Bridgepoint Europe V  
**Company Website:** [www.element.com](http://www.element.com)

Element operates in the global outsourced materials testing market. Element works with its customers to ensure that the materials, systems and products that are in use in some of the world's most advanced industrial applications are safe, comply with relevant industry standards and are fit for purpose. This involves testing a material, part, product or weld from a production line to destruction.

# Strategic Report

## Largest 10 Funds at 30 September 2017

# 1

**8.5%**  
of NAV

**Fund Size:** €5.0bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** €50–€500 million  
**Geography:** Europe  
**Offices:** London, Madrid, Amsterdam, Frankfurt, Paris, New York, Mumbai, Singapore  
**Website:** www.3i.com

**A leading international investor focused on investing in European mid-market businesses with international growth potential**

3i Eurofund V	30/9/2017	30/9/2016
Value (£'000)	51,011	40,584
Cost (£'000)	16,056	18,334
Commitment (£'000)	60,000	60,000
Amount Funded	96.3%	96.2%
Income (£'000)	-	-

# 2

**5.7%**  
of NAV

**Fund Size:** €1.4bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** €100–€500 million  
**Geography:** Northern Europe  
**Offices:** Stockholm, Hamburg, Paris, London  
**Website:** www.ikinest.com

**Invests in growth strategies supporting business transformation. Unique Northern Continental European footprint**

IK VII	30/9/2017	30/9/2016
Value (£'000)	33,864	30,796
Cost (£'000)	24,354	25,184
Commitment (£'000)	36,000	36,000
Amount Funded	95.2%	93.8%
Income (£'000)	142	12

# 3

**5.2%**  
of NAV

**Fund size:** €5.0bn  
**Strategy:** Transformational Buyouts  
**Enterprise Value of investments:** €500million–€3 bn  
**Geography:** Global  
**Offices:** London, Frankfurt, Madrid, Milan, Paris, Stockholm, New York, Menlo Park, Hong Kong, Seoul, Shanghai, Tokyo  
**Website:** www.permira.com

**Focused on identifying investments in market leading businesses with strong growth potential. Sector approach transforming companies to become global leaders**

Permira V	30/9/2017	30/9/2016
Value (£'000)	31,384	23,912
Cost (£'000)	21,588	18,763
Commitment (£'000)	30,000	30,000
Amount Funded	92.8%	82.3%
Income (£'000)	-	-

# 4

**4.8%**  
of NAV

**Fund Size:** €6.7bn  
**Strategy:** Mid to Large Buyouts  
**Enterprise Value of investments:** €300 million–€3 bn  
**Geography:** Europe, USA  
**Offices:** London, Paris, Hamburg, New York  
**Website:** www.bcpartners.com

**Targets investments in market leading businesses with defensive growth qualities**

BC European Capital IX	30/9/2017	30/9/2016
Value (£'000)	28,582	26,206
Cost (£'000)	20,547	18,163
Commitment (£'000)	35,000	30,000
Amount Funded	99.5%	85.8%
Income (£'000)	604	236

# 5

**4.5%**  
of NAV

**Fund Size:** €3.6bn  
**Strategy:** Complex Buyouts and Global Healthcare  
**Enterprise Value of investments:** €150–€800 million  
**Geography:** Northern Europe  
**Offices:** Stockholm, Oslo, Helsinki, Copenhagen, London, Frankfurt  
**Website:** www.nordiccapital.com

**Invests in and develops enduring companies that create long-term value focused on medium to large buyouts. Also invests in global healthcare companies**

Nordic Capital Fund VIII	30/9/2017	30/9/2016
Value (£'000)	27,180	16,126
Cost (£'000)	15,411	12,426
Commitment (£'000)	30,000	30,000
Amount Funded	64.3%	52.6%
Income (£'000)	-	-

# Strategic Report

## Largest 10 Funds at 30 September 2017

6

3.9%  
of NAV

**Fund Size:** €1.5bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** €50–€300 million  
**Geography:** UK, France, Germany  
**Offices:** London, Paris, Munich  
**Website:** [www.equistonepe.com](http://www.equistonepe.com)

7

3.9%  
of NAV

**Fund Size:** €3.7bn  
**Strategy:** Complex Buyouts and Global Healthcare  
**Enterprise Value of investments:** €150–€800 million  
**Geography:** Northern Europe  
**Offices:** Stockholm, Oslo, Helsinki, Copenhagen, London, Frankfurt  
**Website:** [www.nordiccapital.com](http://www.nordiccapital.com)

8

3.9%  
of NAV

**Fund Size:** €2.5bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** €100 million–€1.0 bn  
**Geography:** Northern Europe  
**Offices:** London, Frankfurt, Paris, Warsaw, Amsterdam  
**Website:** [www.montagu.com](http://www.montagu.com)

9

3.8%  
of NAV

**Fund Size:** £1.0bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** £75 - £350 million  
**Geography:** UK  
**Offices:** London  
**Website:** [www.exponentpe.com](http://www.exponentpe.com)

10

3.5%  
of NAV

**Fund Size:** €1.8bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** €50–€300 million  
**Geography:** UK, France, Germany  
**Offices:** London, Paris, Munich  
**Website:** [www.equistonepe.com](http://www.equistonepe.com)

**Invests as a strategic partner alongside management teams. Seeks businesses with the potential to grow with their support and experience**

<b>Equistone Partners Europe Fund IV</b>	<b>30/9/2017</b>	<b>30/9/2016</b>
Value (£'000)	23,462	26,286
Cost (£'000)	17,062	20,747
Commitment (€'000)	30,000	30,000
Amount Funded	95.1%	94.7%
Income (£'000)	1,196	298

**Invests in and develops enduring companies that create long-term value focused on medium to large buyouts. Also invests in global healthcare companies**

<b>Nordic Capital Fund VII</b>	<b>30/9/2017</b>	<b>30/9/2016</b>
Value (£'000)	23,174	14,640
Cost (£'000)	27,515	11,015
Commitment (€'000)	35,000	15,000
Amount Funded	94.7%	90.4%
Income (£'000)	-	-

**Seeks to create value through partnership with management teams of companies that provide critical products or services to their customers**

<b>Montagu IV</b>	<b>30/9/2017</b>	<b>30/9/2016</b>
Value (£'000)	23,099	21,044
Cost (£'000)	15,411	16,211
Commitment (€'000)	30,000	30,000
Amount Funded	91.0%	90.0%
Income (£'000)	378	205

**Target businesses have strong market positions, evidence of historical constraints and are capable of transformation. Companies often have a significant international footprint**

<b>Exponent Private Equity Partners III</b>	<b>30/9/2017</b>	<b>30/9/2016</b>
Value (£'000)	22,821	10,090
Cost (£'000)	21,128	10,524
Commitment (£'000)	28,000	28,000
Amount Funded	75.4%	37.5%
Income (£'000)	63	-

**Invests as a strategic partner alongside management teams. Seeks businesses with the potential to grow with their support and experience**

<b>Equistone Partners Europe Fund V</b>	<b>30/9/2017</b>	<b>30/9/2016</b>
Value (£'000)	21,222	14,851
Cost (£'000)	16,706	13,847
Commitment (€'000)	30,000	30,000
Amount Funded	69.1%	58.1%
Income (£'000)	-	-

# Strategic Report

## Top 30 Underlying Private Company Investments

at 30 September 2017

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

Entity	Description	Fund	Year of Investment	% of NAV
Action	Non-food discount retailer	3i Eurofund V	2011	7.1%
Scandlines	Northern European ferry operator	3i Eurofund V	2007	2.3%
Bambora	Payment terminal services	Nordic Capital Fund VIII	2014	1.2%
Lindorff	Debt collection and accounting services	Nordic Capital Fund VIII	2014	1.1%
Schenck Process	Industrial weighing and measuring systems	Industri Kapital 2007	2007	1.1%
ista	Heat and water metering	CVC European Equity Partners V	2013	1.0%
Handicare	Mobility solutions for disabled and elderly	Nordic Capital Fund VII	2010	1.0%
Vistage	Membership organisation of CEOs	TowerBrook Investors III	2012	1.0%
CPA Global	Intellectual property management services	Fourth Cinven Fund	2012	0.9%
Element	Materials testing	Bridgepoint Europe V	2016	0.9%
Norican	Metallic parts formation and preparation industry	Altor Fund IV	2015	0.9%
Not Disclosed	Specialty retailer of services and solutions for pets	BC European Capital IX	2015	0.9%
Colisee	Elderly Care	IK VIII	2017	0.8%
Munters	Air treatment	Nordic Capital Fund VII	2008	0.8%
Nemera	Drug administration systems	Montagu IV	2014	0.7%
Exxelia	Manufacturer of customised electronic components	IK VII	2014	0.7%
Binding Site	Clinical laboratory diagnostics	Nordic Capital Fund VII	2011	0.7%
InfoPro Digital	B2B professional information services	TowerBrook Investors IV	2016	0.7%
Not Disclosed	Academic and scientific information provider	BC European Capital IX	2013	0.7%
EVAC	Waste & water management production specialists	IK VII	2014	0.7%
Sebia	Equipment for the electrophoresis market	Montagu IV	2014	0.7%
Skandiabanken ASA	Digital bank	Altor Fund IV	2016	0.7%
Tilney Bestinvest	Independent investment advice	Permira V	2014	0.6%
Not Disclosed	Recovery audit services	Advent Global Private Equity VI	2012	0.6%
Cérélia	Manufacturer of ready to use dough	IK VII	2015	0.6%
TriStyle	Fashion retailer	Equistone Partners Europe Fund V	2015	0.6%
Salad Signature	Private label food franchise	IK VII	2016	0.6%
Photobox	Online photo laboratory	Exponent Private Equity Partners III	2016	0.6%
Not Disclosed	Mattress manufacturer	Advent Global Private Equity VI & Advent Global Private Equity VII	2012	0.6%
Teamviewer	Computer software	Permira V	2014	0.6%

# Strategic Report

## Fund Investments

at 30 September 2017

Vintage	Fund	Type	Number of investments	Valuation date*	Outstanding commitments £'000	Cost £'000	Valuation £'000	Net multiple† GBP (x)	% of NAV
2006	3i Eurofund V	Buy-out	5	30/09/17	1,960	16,056	51,011	2.4x	8.5
2012	IK VII	Buy-out	15	30/09/17	1,509	24,354	33,864	1.4x	5.7
2014	Permira V	Buy-out	18	30/09/17	1,916	21,588	31,384	1.4x	5.2
2011	BC European Capital IX	Buy-out	18	30/09/17	157	20,547	28,582	N/D	4.8
2013	Nordic Capital Fund VIII	Buy-out	14	30/09/17	9,438	15,411	27,180	1.8x	4.5
2011	Equistone Partners Europe Fund IV	Buy-out	20	30/09/17	1,307	17,062	23,462	2.0x	3.9
2008	Nordic Capital Fund VII	Buy-out	13	30/09/17	1,633	27,515	23,174	1.3x	3.9
2011	Montagu IV	Buy-out	10	30/09/17	2,380	15,411	23,099	1.7x	3.9
2015	Exponent Private Equity Partners III	Buy-out	10	30/09/17	6,886	21,128	22,821	1.1x	3.8
2015	Equistone Partners Europe Fund V	Buy-out	20	30/09/17	8,161	16,706	21,222	1.3x	3.5
2012	Advent Global Private Equity VII	Buy-out	26	30/09/17	1,991	11,166	20,663	2.0x	3.4
2014	Altor Fund IV	Buy-out	11	30/09/17	32,580	14,747	18,675	1.3x	3.1
2016	Advent International GPE VIII	Buy-out	17	30/09/17	21,749	17,785	17,408	1.0x	2.9
2014	Bridgepoint Europe V	Buy-out	10	30/09/17	12,986	15,633	16,749	1.2x	2.8
2008	CVC European Equity Partners V	Buy-out	14	30/09/17	439	9,841	16,237	2.0x	2.7
2014	CVC Capital Partners VI	Buy-out	27	30/09/17	12,562	11,604	15,757	1.3x	2.6
2014	PAI Europe VI	Buy-out	12	30/09/17	13,988	13,148	14,536	1.4x	2.4
2008	TowerBrook Investors III	Buy-out	8	30/09/17	11,380	15,620	12,706	1.1x	2.1
2008	Advent Global Private Equity VI	Buy-out	16	30/09/17	-	12,565	12,369	1.8x	2.1
2013	TowerBrook Investors IV	Buy-out	10	30/09/17	16,959	7,950	11,405	1.6x	1.9
2006	Terra Firma Capital Partners III	Buy-out	6	30/09/17	119	21,352	7,638	0.6x	1.3
2016	IK VIII	Buy-out	4	30/09/17	22,664	7,275	7,170	1.0x	1.2
2016	Astorg VI	Buy-out	4	30/09/17	14,073	6,003	5,959	1.0x	1.0
2006	Fourth Cimen Fund	Buy-out	4	30/09/17	2,909	8,459	5,228	1.6x	0.9
2012	Bridgepoint Europe IV	Buy-out	12	30/09/17	905	4,649	4,124	1.4x	0.7
2006	Collier International Partners V	Secondary	32	30/09/17	6,499	-	4,052	1.7x	0.7
2005	Pomona Capital VI Fund	Secondary	24	30/09/17	2,035	6,257	3,427	1.6x	0.6
2007	Equistone Partners Europe Fund III	Buy-out	3	30/09/17	1,437	8,059	3,319	1.7x	0.6
2006	TowerBrook Investors II	Buy-out	4	30/09/17	4,078	2,260	2,829	2.1x	0.5
2007	Industri Kapital 2007	Buy-out	3	30/09/17	1,530	9,767	2,540	1.5x	0.4
2016	Sixth Cimen Fund	Buy-out	5	30/09/17	22,091	2,738	2,234	0.8x	0.4
2006	Permira IV	Buy-out	10	30/06/17	422	3,086	1,954	1.3x	0.3
2005	Advent Global Private Equity V	Buy-out	4	30/09/17	1,041	-	1,898	2.8x	0.3
2006	HgCapital 5	Buy-out	2	30/09/17	213	6,588	1,802	1.7x	0.3
2000	CVC European Equity Partners III	Buy-out	1	30/06/17	71	4,522	1,771	2.6x	0.3
2009	Charterhouse Capital Partners IX	Buy-out	5	30/09/17	468	3,110	1,611	1.4x	0.3
2005	Candover 2005 FundA	Buy-out	4	30/09/17	-	28,595	1,456	0.5x	0.2
2005	Equistone Partners Europe Fund II	Buy-out	2	30/06/17	138	3,910	1,078	1.7x	0.2
2000	Scottish Equity Partners II	Venture capital	1	30/09/17	-	3,159	1,039	1.0x	0.2
2001	Pomona Capital V Fund	Secondary	31	30/09/17	126	5,564	683	1.4x	0.1
2005	CVC European Equity Partners IV	Buy-out	2	30/06/17	1,813	3,794	489	2.4x	0.1
2001	Third Cimen Fund	Buy-out	-	31/12/16	256	4,339	168	2.1x	-
2007	CVC Tandem Fund	Buy-out	2	30/06/17	574	1,612	159	1.6x	-
2002	Charterhouse Capital Partners VII	Buy-out	-	30/09/17	2,676	5,811	51	1.9x	-
2004	Industri Kapital 2004	Buy-out	-	30/09/17	15	-	47	2.4x	-
2001	Collier International Partners IV	Secondary	20	30/09/17	224	270	42	1.4x	-
2004	Permira Europe III	Buy-out	2	30/06/17	-	209	20	1.2x	-
1995	Phil drew Fourth	Buy-out	-	31/12/16	-	-	15	0.3x	-
2016	HgCapital 8	Buy-out	-	30/09/17	22,000	13	-	0.0x	-
2017	CVC Capital Partners VII	Buy-out	-	30/09/17	30,840	12	-	0.0x	-
2017	Nordic Capital Fund IX	Buy-out	-	30/09/17	26,435	16	-	0.0x	-
<b>Total fund investments*</b>			<b>481</b>		<b>325,633</b>	<b>477,266</b>	<b>505,107</b>		<b>84.3</b>
Non-portfolio assets less liabilities							93,885		15.7
<b>Total shareholders' funds</b>							<b>598,992</b>		<b>100.0</b>

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

† the net multiple has been calculated by the Manager in GBP on the basis of the total realised and unrealised return for the interest held in each fund investment.

Δ the valuation of £1,456,000 includes listed shares in Parques Reunidos, worth £1,399,000, based on paragraph 1(c) of the accounting policies. These listed shares were received as an in-specie distribution from Candover 2005.

‡ the 481 underlying investments represent holdings in 374 separate companies and 107 other private equity funds.



# Strategic Report

## Financial Summary

Performance (total return<sup>(2)</sup>) since inception to 30 September 2017

Source: The Manager and Thomson Reuters Datastream.

Performance (capital only)	As at 30 September 2017	As at 30 September 2016	% Change
SLPET NAV	389.6p	346.4p	12.5
SLPET share price	341.5p	267.3p	27.8
FTSE All-Share Index <sup>(1)</sup>	4,049.9	3,755.3	7.8
MSCI Europe Index (£) <sup>(1)</sup>	3,154.4	2,738.0	15.2
LPX Europe Index (£) <sup>(1)</sup>	461.3	368.9	25.0
Discount (difference between share price and net asset value)	12.3%	22.8%	

Performance (total return) <sup>(2)</sup>	Annualised					
	6 months %	1 year %	3 years %	5 years %	10 years %	Since inception % <sup>(3)</sup>
SLPET NAV	+7.0	+14.9	+17.1	+13.5	+6.2	+9.9
SLPET share price	+13.4	+31.9	+17.4	+18.9	+5.9	+9.3
FTSE All-Share Index <sup>(1)</sup>	+3.6	+11.9	+8.5	+10.0	+5.8	+5.8
MSCI Europe Index (£) <sup>(1)</sup>	+6.9	+19.1	+11.8	+13.1	+6.0	+6.2
LPX Europe Index (£) <sup>(1)</sup>	+16.8	+27.4	+23.1	+21.5	+6.6	+7.2

Highs/lows for the year ended 30 September 2017	High	Low
Share price (mid)	341.5p	265.0p

<sup>(1)</sup> The Company has no defined benchmark; the indices above are solely for comparative purposes.

<sup>(2)</sup> Includes dividends reinvested.

<sup>(3)</sup> The Company was listed on the London Stock Exchange in May 2001.

# Strategic Report

## Ten Year Historic Record

### Summary financial information

NAV and share price	Net assets	NAV (undiluted)	NAV (diluted)	Share price	Discount to diluted NAV
	£m	p	p	p	%
At 30 September 2008	375.5	234.8	231.4	161.00	(30.4)
At 30 September 2009	265.6	164.9	163.4	112.25	(31.3)
At 30 September 2010	315.2	195.3	193.3	113.75	(41.2)
At 30 September 2011	369.4	228.7	225.9	134.00	(40.7)
At 30 September 2012	369.7	227.6	224.9	162.38	(27.8)
At 30 September 2013	401.2	244.2	243.4	198.00	(18.6)
At 30 September 2014	409.1	257.4	257.4	230.00	(10.6)
At 30 September 2015	438.7	281.6	281.6	214.00	(24.0)
At 30 September 2016	532.6	346.4	346.4	267.25	(22.8)
At 30 September 2017	599.0	389.6	389.6	341.50	(12.3)

Performance and dividends	NAV total return	Share price total return <sup>1</sup>	Dividend paid <sup>2</sup>	Dividend per ordinary share	Expense ratio <sup>3</sup>
	%	%	£m	p	%
Year to 30 September 2008	(1.3)	(27.8)	5.6	3.50	0.94
Year to 30 September 2009	(29.2)	(29.5)	0.6	0.70	0.92
Year to 30 September 2010	18.4	1.4	0.1	0.10	1.02
Year to 30 September 2011	17.0	18.0	0.2	0.20	1.02
Year to 30 September 2012	0.1	22.4	1.0	1.30	0.97
Year to 30 September 2013	9.1	23.4	1.3	2.00	0.99
Year to 30 September 2014	7.7	19.1	8.2	5.00	0.96
Year to 30 September 2015	11.9	(4.0)	10.6	6.75	0.98
Year to 30 September 2016	24.8	27.9	8.2	5.30	0.99
Year to 30 September 2017	14.9	31.9	14.8	9.60	1.14 <sup>4</sup>

<sup>1</sup> Data supplied by Thomson Reuters Datastream.

<sup>2</sup> Represents the cash dividend paid during the year.

<sup>3</sup> The expense ratios follow the AIC's recommended methodology for calculating Ongoing Charges.

<sup>4</sup> The incentive fee arrangement ended on 30 September 2016. Following the end of the incentive fee period, a single management fee of 0.95% per annum of the NAV of the Company replaced the previous management and incentive fees.

Investment exposure	Fund manager as a % of net assets		Fund investments as a % of net assets		
	Top 5 %	Top 10 %	Top 10 %	Top 20 %	Top 30 %
At 30 September 2008	54.5	84.6	55.1	84.0	102.4
At 30 September 2009	55.5	87.2	61.1	93.8	109.0
At 30 September 2010	62.1	96.4	67.9	101.0	116.2
At 30 September 2011	57.9	89.1	69.0	95.4	106.8
At 30 September 2012	51.2	80.2	63.5	87.4	97.9
At 30 September 2013	44.9	68.4	51.7	76.5	86.8
At 30 September 2014	43.2	65.0	52.9	74.0	82.7
At 30 September 2015	42.4	65.2	48.6	71.4	80.2
At 30 September 2016	39.7	65.0	45.9	68.3	78.8
At 30 September 2017	38.5	58.9	47.7	73.7	81.6

# Governance

## Board of Directors

**The Board of Directors of the Company is a highly experienced group with deep insights into investment trusts, the financial services world and private equity. They work closely with the Manager, SL Capital Partners, to deliver shareholder value. They are responsible for stewardship, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management.**

### Footnotes

\* Edmond Warner is Chairman of the Management Engagement and Nominations Committees.

† Alastair Barbour is Chairman of the Audit Committee.

‡ Christina McCombe is the Senior Independent Director.

All of the directors are members of the Audit, Management Engagement and Nominations Committees.

Edmond Warner was appointed on 27 November 2008. He is Chairman of Grant Thornton UK LLP, and online derivatives exchange LMAX. He has been a top ranked investment strategist in the surveys of institutional investors, and a leading commentator on financial and business matters in both the press and broadcast media. He is also the Chairman of BlackRock Commodities Income Investment Trust plc and a non-executive director of Clarkson plc.

**Edmond Warner, OBE\***

Christina McComb was appointed on 29 January 2013. Christina has a background in Private Equity and Venture Capital Investment, having spent much of her career at leading private equity firm 3i Group plc. She is currently Chairman of OneFamily Mutual Assurance and a non-executive director of Baronsmead Venture Trust plc, Nexxon Ltd and Big Society Capital Limited. Christina is also Senior Independent Director of the British Business Bank, the government owned development bank supporting access to finance for UK SMEs.

**Christina McComb\***

Alastair Barbour was appointed on 1 April 2011. He is a chartered accountant and was formerly a partner of KPMG and has specialised in financial services with extensive experience in advising on accounting, financial reporting and corporate governance. He is also a non-executive director of RSA Insurance Group plc, Phoenix Group Holdings plc, Liontrust Asset Management plc and CATCo Reinsurance Opportunities Fund Ltd and, overseas, a non-executive director of The Bank of N.T. Butterfield & Son Limited, which is listed on the NYSE.

**Alastair Barbour\***

Alan Devine was appointed on 28 May 2014. He holds an MBA and is a Fellow of the Institute of Bankers in Scotland. Alan was formerly CEO of the Royal Bank of Scotland Shipping Group and has a wide background of knowledge and over 40 years' experience in both commercial and investment banking. Alan is a non-executive director of Irish company Capital Flow Holdings DAC.

**Alan Devine**

Diane Seymour-Williams was appointed on 7 June 2017. Diane is a non-executive director of Witan Pacific Investment Trust plc (appointed in 2010) and Brooks Macdonald Group plc (appointed 2011), where she has also chaired the Remuneration Committee since 2012. She is also non-executive director of Calculus VCT plc. Diane worked at Deutsche Asset Management Group (previously Morgan Grenfell) for 23 years where she held various senior positions, including CIO and CEO of Asia. More recently, she spent nine years at LGM Investments, a specialist global emerging markets equities manager, where she was Global Head of Relationship Management.

**Diane Seymour-Williams**

Calum Thomson was appointed on 30 November 2017. Calum is a qualified accountant with over 25 years' experience in the Financial Services industry. He has been with Deloitte LLP since October 1988. For 21 of those years he was a partner in the firm. Calum is a non-executive director and the Audit Committee chair of the Diverse Income Trust plc, the British Empire Trust plc and BLME Holdings plc, and is a non-executive director of Baring Emerging Europe plc. He is also the Chairman of the Board of Trustees for La Serenissima.

**Calum Thomson**

As reported in the Company's interim report and noted in the Chairman's Statement, David retired after nine years from the Board on 7 June 2017.

**David Warnock**

# Governance

## Directors' Report

The directors present their report and the audited financial statements for the Standard Life Private Equity Trust for the year ended 30 September 2017.

### Business and status

Standard Life Private Equity Trust plc is a public company limited by shares, incorporated in the United Kingdom and carries on business as an investment trust. It has been approved as such by HM Revenue & Customs for all accounting periods commencing on or after 1 October 2012, subject to the Company continuing to meet the eligibility conditions in Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999). The Company's registration number is SC 216638.

The Manager of the Company is SL Capital Partners LLP. The Board is independent of the Manager and Standard Life Aberdeen plc.

### Share capital

At 30 September 2017, there were 153,746,294 ordinary shares of 0.2 pence in issue.

The Company's shares are listed on the London Stock Exchange. Information on the rights attaching to the Company's shares is set out on page 37. The rights attaching to the Company's shares are set out in the Company's articles of association and are also supplemented by (and are subject to) the relevant provisions of the Companies Act 2006 and other legislation applying to the Company from time to time (the "Statutes"). There are no special rights regarding control of the company attached to the shares.

### Income and dividend

Income available for dividends was £12,284,000, or 7.99 pence per ordinary share (30 September 2016: £7,116,000, or 4.59 pence per ordinary share). Additionally, the capital realised reserves standing in the Company's balance sheet total £420,910,000 (273.8 pence per ordinary share), as noted in note 14 of the financial statements. The directors recommend that a final dividend of 6.0 pence per ordinary share (30 September 2016: 3.6 pence) be paid on 31 January 2018 to shareholders on the Company's share register at the close of business on 5 January 2018. The ex dividend date will be 4 January 2018. An interim dividend of 6.0 pence per ordinary share (30 September 2016: 1.8 pence per ordinary share) was paid to shareholders on 21 July 2017.

### Future developments

The Chairman's Statement on pages 3 to 4 describes the outlook for the Company. Further information relating to the merger of the Company's parent, Standard Life plc with Aberdeen Asset Management plc, is provided in the Company Update on page 8.

### Directors

Details of the directors, all of whom are non-executive, can be found on page 34. In accordance with best practice, Edmond Warner, Alan Devine and Christina McComb will stand for re-election at the forthcoming Annual General Meeting ("AGM"). This being the first AGM since their appointment to the Board, Diane Seymour-Williams and Calum Thomson will stand for election and, as stated in the Chairman's Statement, since Alastair Barbour will retire from the company on 29 December 2017 he will not stand for re-election at the forthcoming AGM.

The Board supports the candidature of the directors for the reasons described in the Corporate Governance section on pages 42 to 44.

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.

### Corporate Governance

The Board and Manager are committed to high levels of Corporate Governance. Further information can be found in the Statement of Corporate Governance on pages 42 to 44, this is incorporated in the foregoing by reference.

### 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 of association provide that any director or other officer of the Company is 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.

### Principal Risks and Uncertainties

The risk management, financial assets and liabilities are contained in note 18 to the financial statements. The principal risks and uncertainties are set out on page 9.

### Remuneration policy

In line with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company's Alternative Investment Fund Manager ("AIFM") has implemented a remuneration policy for its staff which is consistent with, and promotes sound and effective risk management, and does not encourage risk-taking which is inconsistent with the risk profiles, governing terms and the investment strategy of the funds that it manages, and is aligned with the overall business strategy, objectives and interests of the AIFM.

The AIFM has identified "Code Staff", i.e. those individuals whose activities have a material impact on the risk profile of the AIFM, or the funds that it manages.

The remuneration practices in place within the AIFM are compliant with the AIFMD Remuneration Code and are proportionate and appropriate for the nature of the business and of the funds it manages. The remuneration policy:

- comprises an appropriate mix of fixed and variable remuneration that encourage individuals to make a strong contribution;
  - is consistent with the aims and objectives of the AIFM and of the funds it manages;
  - provides for the independent oversight of staff in control functions by a remuneration committee;
  - contains measures to avoid potential conflicts of interest and to promote effective risk management; and
- includes performance incentives for certain members of staff which may become payable in the event of the performance of funds exceeding the thresholds agreed with the funds' investors.

In accordance with AIFMD, the AIFM's remuneration policy and required disclosures are available from the Manager on request.

# Governance

## Directors' Report

### Depositary

The AIFMD requires the Manager to ensure a depositary is appointed for each Authorised Investment Fund it manages and BNP Paribas Securities Services S.A. was appointed depositary for the Company with effect from 1 July 2014. The depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

### Greenhouse gas emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### Social, Environmental and Ethical Risks

As noted in the update in the Strategic Report on page 8, the Company has no direct social, community, employee or environmental responsibilities.

### Significant shareholdings

The significant holdings in the Company's ordinary share capital which had been notified to the Company at 30 September 2017 are shown below.

Substantial share interests	No. of ordinary shares	%
Aberdeen Standard Investments*	86,614,625	56.34
Quilter Cheviot Investment Management	7,840,105	5.10
Old Mutual Global Investors	4,758,341	3.09
Oxfordshire County Council	4,658,684	3.03

As at 30 November 2017, (the latest date before publication of these accounts) the significant holdings were:

Substantial share interests	No. of ordinary shares	%
Aberdeen Standard Investments*	86,582,025	56.31
Quilter Cheviot Investment Management	8,153,669	5.30
Old Mutual Global Investors	3,876,413	2.52
Oxfordshire County Council	4,658,684	3.03

\* Held across a number of funds.

### Significant agreements

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

### Investment Management Arrangements

The Manager to the Company is SL Capital Partners LLP. In order to comply with AIFMD, the Company has appointed SL Capital Partners LLP as its AIFM from 1 July 2014.

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, equal to 0.95% per annum of the Company's net asset value at the end of the relevant quarter. 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 Aberdeen plc where there is an entitlement to a fee on that investment. This fee rate came into force following the end of the incentive fee period on 30 September 2016.

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 terminates the Investment Management Agreement on less than 12 months' written 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 0.95% 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 for early termination (although all fees and other amounts accrued up to the date of termination will remain payable) 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 three "key executives" remain engaged by any member of the Manager's group. The key executives are currently Richard Chapman, Patrick Knechtli, Peter McKellar and Roger Pim. 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 either a member of the Manager's investment committee or devotes substantial business time to the affairs of the Company and 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 negligence, wilful default or fraud.

# Governance

## Directors' Report

### **Relationship agreement with Standard Life Aberdeen plc**

By a letter dated 1 October 2007, Standard Life plc (the predecessor entity to Standard Life Aberdeen plc), 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 Aberdeen plc 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 Aberdeen plc or take any action, in their capacity as beneficial holders of any shares in the Company, 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 Aberdeen plc 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 Aberdeen plc or its Associates or is effected by the Company summarily terminating the Investment Management Agreement in accordance with the terms of that 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 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 Aberdeen plc's previous written approval.

### **Standard Life name**

In the event that Standard Life Aberdeen plc ceases to have control of the Company's investment manager or there is a takeover of the Company, Standard Life Aberdeen plc is entitled under the Company's articles of association 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 Auditor**

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each director has also taken all reasonable steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Independent Auditor is aware of that information.

### **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.

### **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.

### **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 the time specified in the notice convening the meeting, which: (i) cannot be more than 48 hours (excluding non-working days) before the start of the meeting or adjourned meeting; (ii) in the case of a poll taken more than 48 hours after it is demanded, cannot be more than 24 hours before the time appointed for the taking of the poll; or (iii) in the case of a poll taken not more than 48 hours after it is demanded at a meeting, cannot be more than 48 hours (excluding non-working days) prior to the meeting at which the poll is demanded.

### **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 divided among the ordinary shareholders in proportion to their shareholdings.

### **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

# Governance

## Directors' Report

(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.

If the directors decline to register a transfer, they are required to send notice of the refusal to the transferee within two months, giving reasons for their decision.

### Annual General Meeting

The Notice of the Annual General Meeting, which will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh at 12.30pm on Thursday 25 January 2018, and related notes may be found on pages 70 to 73 of this Annual Report. Among the resolutions being put at the Annual General Meeting, the following will be proposed:

### Section 551 Authority to Allot Shares

Resolution 10, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to 33.3% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of the passing of this resolution (up to a maximum nominal amount of £102,395 based on the Company's issued share capital as at the date of this Report). Such authority will expire on 31 March 2019 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting). As at the date of this Report, the Company does not hold any ordinary shares in Treasury.

### Limited Disapplication of Pre-emption Provisions

Resolution 11, which is a special resolution, seeks to give the Directors power, conditional on Resolution 10 being passed, to allot ordinary shares and to sell ordinary shares held in treasury for cash, without first offering them to existing shareholders in proportion to their existing holdings, up to an aggregate nominal value representing 5% of the Company's issued ordinary share capital as at the date of passing of this resolution (up to a maximum nominal amount of £15,374 based on the Company's issued share capital as at the date of this Report).

This authority will expire on 31 March 2019 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

The Directors consider that the powers proposed to be granted by the above resolutions are necessary to provide flexibility to issue shares should they deem it to be in the best interests of shareholders as a whole.

### Purchase of the Company's own ordinary shares

The Company's buy-back authority was last renewed at the AGM on 24 January 2017. Resolution 12, which will be proposed as a special resolution, will renew the Company's authority to make market purchases of its own shares. Shares so repurchased will

be cancelled or held in treasury. In respect of the Company's ordinary shares which it buys back and does not immediately cancel but, instead, holds "in treasury", it may sell such shares (or any of them) for cash (or its equivalent); or ultimately cancel the shares (or any of them).

No dividends will be paid on treasury shares, and no voting rights attach to them.

The maximum number of ordinary shares which may be purchased pursuant to this authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 23,046,569 ordinary shares). The minimum price which may be paid for an ordinary share (exclusive of expenses) shall be 0.2p (being an amount equal to the nominal value of an ordinary share). The maximum price for an ordinary share (exclusive of expenses) shall be an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's ordinary shares 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, if conferred, will only be exercised if to do so would enhance the net asset value per share and is in the best interests of shareholders generally. This authority will expire on 31 March 2019 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

### Additional Information

The rules concerning the appointment and replacement of Directors, amendments to the articles of association and powers to issue or buy back the Company's shares are contained in the articles of association of the Company and the Companies Act 2006. There are no agreements which the Company is party to that might affect its control following a takeover bid and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the management agreement with the Manager and the relationship agreement with Standard Life Aberdeen plc, further details of which are set out on pages 36 to 37, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

### Recommendation of the Board

The Board considers that all the resolutions to be considered at the Annual General Meeting as set out in the notice of AGM on pages 70 to 73 in the best interests of the Company and the shareholders as a whole. Your Board will be voting in favour of them in respect of their entire beneficial holdings of ordinary shares which amount, in aggregate, to 135,533 ordinary shares (representing approximately 0.09% of the ordinary share capital of the Company in issue) and unanimously recommends that you do so as well.

By order of the Board

Maven Capital Partners UK LLP  
Company Secretary

30 November 2017

AUTHORISED SIGNATORY



# Governance

## Directors' Remuneration Report

### Introduction

The Board has prepared this report in accordance with the requirements of section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming AGM.

The law requires the Company's Independent Auditor to audit certain of the disclosures provided herein. Where disclosures have been audited, they are indicated as such. The Independent Auditor's opinion is included in their report on pages 49 to 52.

At 30 September 2017 the Company had five non-executive directors and their biographies are shown on page 34 of this Annual Report. The Board has not established a separate Remuneration Committee and instead, the Board as a whole, fulfills this function. The Board has instructed the Manager to provide annually, appropriate information to assist the Board in considering the level of directors' fees. The Board also considers the views expressed by the Company's shareholders (whether at a general meeting or otherwise) when formulating the directors' remuneration policy.

### Directors shareholdings (audited)

The names of the directors and their shareholdings in the Company at 30 September 2017 are shown in the table below. There has been no change in these holdings since the year-end.

Directors and their shareholdings in the Company (audited)	Ordinary shares held as at 30 September	
	2017	2016
Edmond Warner	25,000	25,000
Alastair Barbour	69,034	67,773
Alan Devine	5,613	-
Christina McComb	4,386	4,386
Diane Seymour-Williams	31,500	-

All of the above ordinary shares are held beneficially by the directors and their families.

In addition, the Manager's key executives held the following interests in the shares of the Company at 30 September 2017: Peter McKellar had an interest in 995,074 shares and Roger Pim an interest in 73,749 shares.

### Directors' Fees Policy

The Company's policy is to remunerate directors exclusively by fixed fees in cash 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. The Policy on directors' fees was approved by Shareholders at the AGM held in 2017 (outcome of voting noted below) and it is intended that this policy will continue until the year ending 30 September 2019. It will be subject again to vote at the AGM in 2020.

The 2017 AGM results in respect of the resolution to approve the Directors' fees policy are as follows:

Percentage of Votes Cast For	Percentage of Votes Cast Against
99.993%	0.007%

The fees for the non-executive directors are determined within the limits set out in the Company's articles of association. There is no performance related remuneration scheme and therefore the directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The annual limit on directors' fees in the Company's articles of association is £250,000.

At the September 2017 Board meeting, the Board carried out a review of the level of directors' fees. To continue attracting and retaining individuals of the necessary calibre and experience, whilst remaining comparable to the Company's peers with due regard to the Company's characteristics, the fees were increased from £51,000 to £53,000 per annum for the Chairman, £36,000 to £38,000 per annum for the Senior Independent Director and Chairman of the Audit Committee and £32,000 to £34,000 per annum for each other Director. This increase took effect from 1 October 2017 and will be reviewed again in 2018.

### 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 election by shareholders at the first Annual General Meeting after their appointment and stand for re-election every year thereafter. The terms also provide that a director may be removed without notice and that compensation will not be due on leaving office.

# Governance

## Directors' Remuneration Report

### Directors' emoluments for the year (audited)

The directors who served during the years ended 30 September 2017 and 30 September 2016 received the following emoluments, in the form of fees and taxable expenses, as described in the table below.

### Single total figure table (audited)

Director	Year to 30 September 2017 Fees	Year to 30 September 2017 Expenses <sup>(1)</sup>	Year to 30 September 2017 Total	Year to 30 September 2016 Fees	Year to 30 September 2016 Expenses <sup>(1)</sup>	Year to 30 September 2016 Total
Ed Warner	51,000	2,803	53,803	50,000	3,727	53,727
Alastair Barbour	36,000	1,960	37,960	35,000	268	35,268
Alan Devine	32,000	2,787	34,787	31,000	869	31,869
Christina McComb	36,000	4,676	40,676	35,000	5,169	40,169
Diane Seymour-Williams <sup>(2)</sup>	9,578	808	10,386	-	-	-
David Warnock <sup>(3)</sup>	21,873	2,904	24,777	31,000	955	31,955
<b>Total</b>	<b>186,451</b>	<b>15,938</b>	<b>202,389</b>	<b>182,000</b>	<b>10,988</b>	<b>192,988</b>

<sup>(1)</sup> travel and related expenses were incurred by the Directors to attend the Company's meetings in Edinburgh and London.

<sup>(2)</sup> Diane Seymour-Williams was appointed to the Board on 7 June 2017.

<sup>(3)</sup> David Warnock retired from the Board on 7 June 2017.

To enable shareholders to assess the relative importance of spend on Directors' remuneration, the chart below shows for the years ended 30 September 2016 and 30 September 2017, the cost of Directors' fees compared with the level of dividend distribution.

### Total shareholder return

The graph below represents, for the period from 30 September 2007 to 30 September 2017, the total shareholder return, assuming all dividends were reinvested, for a holding in the Company's ordinary 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 indices are calculated. These indices, being the two most relevant indices, are chosen for comparative purposes only.

### Relative Cost of Directors' Remuneration (£'000)

### Total cumulative ordinary shareholder return for the ten years to 30 September 2017

\*The distributions includes distributions by way of dividends and share buy-backs.

Source: Thomson Reuters Datastream.

# Governance

## Directors' Remuneration Report

At the Annual General Meeting in January 2017 the results in respect of a resolution to approve the Directors' remuneration report were as follows:

Percentage of Votes Cast For	Percentage of Votes Cast Against
99.993%	0.007%

### Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Remuneration Report summarises the major decisions on directors' remuneration; any substantial changes relating to directors' remuneration made during the year; and the context in which the changes occurred and decisions have been taken.

### For Standard Life Private Equity Trust plc

Edmond Warner, OBE  
Chairman

30 November 2017



# Governance

## Statement of 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 UK Corporate Governance Code ("the Governance Code") revised in April 2016, and which is available on the Financial Reporting Council's website [www.frc.org.uk](http://www.frc.org.uk). The Board has established corporate governance procedures that it believes are appropriate for a private equity investment trust company and that enable the Company to comply with the relevant principles of the Governance Code and, where appropriate, with the principles of the AIC Code of Corporate Governance, which can be found on the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk).

The Board believes that the Company has complied throughout the year ended 30 September 2017 with the provisions of the Governance Code, except for (1) the provision which relates to the combination of the roles of the Chairman and Chief Executive, as this provision does not apply as the Company has no executive directors; (2) the provision which relates to internal audit. The Audit Committee considers and the Board agrees that an internal audit function is not required by the Company as the internal control systems operated by the Manager's ultimate parent and the Administrator, both of which have strong internal audit functions, provide sufficient assurance over the effectiveness of internal controls.

### Directors

The Board has overall responsibility for the Company's affairs. It delegates, through the investment management, secretarial and administration agreements and through specific instructions, the day to day management of the Company to the Manager, the secretarial arrangements to Maven Capital Partners UK LLP, and administrative matters to BNP Paribas Securities Services S.A. ("the Administrator"). The Company has no executives or employees. There are a number of matters reserved for the Board's approval which include overall strategy, investment policy, borrowings, dividend policy and Board composition.

The Board consists of five 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 to the Company. The Senior Independent Director ("SID") is Christina McComb.

The Board meets formally at least five times each year and more frequently where business needs require. 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, borrowings, forecasts, dividends, marketing and communication with shareholders. There is regular contact between the directors and the Manager throughout the year.

The table below sets out the number of formal directors' and committee meetings attended by each director during the year, compared to the total number of meetings that each director was entitled to attend.

Meetings held and attendance	Board	Audit Committee	Management Engagement Committee	Nominations Committee
Edmond Warner	5[5]	2[2]	1[1]	2[2]
Alastair Barbour	5[5]	2[2]	1[1]	2[2]
Alan Devine	5[5]	2[2]	1[1]	2[2]
Christina McComb	5[5]	2[2]	1[1]	2[2]
Diane Seymour-Williams <sup>(1)</sup>	0[1]	0[0]	0[1]	0[1]
David Warnock <sup>(2)</sup>	4[4]	2[2]	0[0]	1[1]

<sup>(1)</sup> Diane Seymour-Williams was appointed to the Board on 7 June 2017.

<sup>(2)</sup> David Warnock retired from the Board on 7 June 2017.

The Board regularly monitors the interests of each director and a register of directors' interests, including potential conflicts of interest, is maintained by the Company. Directors who have potential conflicts of interest will not take part in any discussions which relate to that particular conflict. The Board will continue to monitor and review potential conflicts of interests on a regular basis.

Following the implementation of the Bribery Act 2010, the Board has adopted a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery. The Board has also adopted relevant procedures following the introduction of the Market Abuse Regulation in July 2016.

### Audit Committee

All of the directors are members of the Audit Committee, which is chaired by Alastair Barbour. A full report of the Audit Committee can be found on pages 45 to 46.

### Internal Control and Risk Management

The respective responsibilities of the directors and the Independent Auditor in connection with the financial statements appear on pages 47 and 49 to 52 respectively.

The Board is responsible for the Company's system of internal controls 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.

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, the Company Secretary and the Administrator. Clear lines of accountability have been established between the Board, the Manager, the Company Secretary and the Administrator. The Board and the Manager have agreed clearly

# Governance

## Statement of Corporate Governance

defined investment criteria, specified levels of authority and exposure limits. 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 financial, operational and compliance controls as well as risk management. The Board reviews financial reports and performance statistics, including projections and management accounts, from the Manager on a regular basis. Twice a year the Audit Committee carries out an assessment of internal risks and controls. In carrying out its review, the Audit Committee has regard to the activities of the Independent Auditor, the Manager, the Company Secretary and the Administrator, including their risk management, internal audit, compliance function and whistle-blowing policies.

On the basis of this work, 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 2017 and up to the date of approval of the Annual Report and Financial Statements. It is regularly reviewed by the Board and accords with the FRC's Internal Control: Revised Guidance.

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

### Nominations Committee

All of the directors are members of the Nominations Committee and Edmond Warner is the Chairman. The terms of reference, which are available on the Company's website, 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.

The Board believes in equal opportunities and supports the principle that due regard should be had for the benefits of diversity, including gender, when searching for potential candidates. The Board recognises that diversity can bring insights that may make a valuable contribution to its effectiveness and is committed to a diverse composition. 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 will be provided with all relevant information regarding the Company and their duties as a director. Thereafter, regular briefings are provided on changes in regulatory requirements that could affect the Company and the directors. Professional advisers report from time to time and directors will, if necessary, attend seminars covering relevant issues and developments.

The Company's articles of association provide that a director appointed during any period is required to retire and seek election by shareholders at the next 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. In line with developing practice and good corporate governance, the Board has implemented annual re-election for all directors. The Board believes that each director continues to be effective, bringing a wealth of knowledge and experience to the Board.

During the year, the Nominations Committee undertook searches for Directors to replace Mr Warnock who, in line with the agreed succession plan, retired from the Board on 7 June 2017 and Mr Barbour, who will retire from the Board on 29 December 2017. Ms Seymour-Williams was appointed to the Board on 7 June 2017 to replace Mr Warnock and Mr Calum Thompson was appointed on 30 November 2017 to succeed Mr Barbour, in due course.

The independent search consultancy, Conforth Consulting, was appointed to assist in the search for new Directors. This company has no other relationship with the Company or with any of the Directors.

Mr Warner, Mr Devine and Ms McComb, will be seeking re-election at the Company's AGM in January 2018 while Ms Seymour-Williams and Mr Thomson will be seeking election, this being the first AGM since their respective appointments to the Board. The Board recommends the re-election or election of each of the directors, to shareholders.

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, Maven Capital Partners UK LLP, 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 pages 39 to 41.

### Performance evaluation

An 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 around a questionnaire which was issued to and completed by all Directors. The Chairman was similarly assessed by his colleagues who completed a questionnaire, initiated by the SID. The collated results of the questionnaires were discussed by the Directors at the Nominations Committee meeting in September 2017. Overall, the performance of the Board, collectively and individually, continues to be judged as fully satisfactory.

### Succession planning

The Board has agreed a succession planning timetable in order to provide an appropriate balance in future between bringing in fresh insights and ongoing continuity, in line with good corporate governance.

# Governance

## Statement of Corporate Governance

### Communication with shareholders

The directors place great importance on communication with the Company's shareholders. The Manager carries out a programme of regular dialogue and individual meetings with institutional shareholders. The Chairman and the SID welcome correspondence from shareholders, addressed to the Company's registered office.

The notice of the Annual General Meeting is sent out at least 20 working days in advance of the meeting. Representatives of the Board 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.

### Management Engagement Committee

All of the directors are members of the Management Engagement Committee and Edmond Warner is the Chairman. The Committee reviews the performance of the Manager, the Company Secretary and BNP Paribas Securities Services S.A. and their compliance with the terms of the investment management, company secretarial and the 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 Investment 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 met fully the terms of its agreement with the Company. Investments are carefully identified, screened and monitored, risks rigorously controlled and cash flow projections updated regularly. Written and verbal presentations to the Board are made in a professional manner, as is communication to shareholders, City commentators and the media. Company secretarial and support services have also performed well. The Board negotiated a single management fee earlier in the year and believes that the new fee structure delivers value for shareholders. Having regard to the foregoing, the Committee, and hence the Board, believes that the continuing appointment of the Manager on the agreed terms is in the interests of shareholders.

### Going concern

The Board considered its obligation to satisfy itself as to the appropriateness of the adoption of the going concern assumption as a basis for preparing the financial statements, taking into account; the £80 million committed, syndicated revolving credit facility with a maturity date of 31 December 2020; the future cash flow projections, and that the Company had net liquid resources at the year-end. The Board ratified the conclusion of the Audit Committee that the adoption of the going concern basis was appropriate.

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 financial statements.

### Sustainable and responsible investing ("SRI")

Both Standard Life Investments and Aberdeen Asset Management (together, trading under the investment business brand of Aberdeen Standard Investments, or "ASI") are signatories to the United Nations Principles for Responsible Investing. As a subsidiary of Standard Life Investments, the Manager has embraced the principles of SRI and adopted the following policies:

- SL Capital Partners LLP believes that a company run in the long-term interests of its shareholders should manage its relationships with its employees, suppliers and customers, and behave responsibly towards the environment and society as a whole;
- companies that demonstrate a commitment to environmental and social responsibility are likely to enjoy a comparative advantage in the long run; and
- SL Capital Partners LLP seeks to encourage its fund managers to adopt best practice standards of environmental and social management with a view to protecting and enhancing the value of the investments made on behalf of its clients.

Although the Manager has no direct influence on the policies and behaviour of investee companies, it encourages fund managers to adhere to SRI guidelines and to report on any issues that arise in their investment portfolios.

No material SRI issues have been brought to the Manager's attention from within the Company's portfolio during the year ended 30 September 2017.

MAVEN CAPITAL PARTNERS UK LLP  
SECRETARY  
By order of the Board *Clara Allan*  
Maven Capital Partners UK LLP  
Company Secretary  
30 November 2017  
AUTHORISED SIGNATORY

# Governance

## Report of the Audit Committee

The Audit Committee is chaired by Alastair Barbour and comprises all of the directors. Alastair Barbour is a chartered accountant and a former partner of KPMG and is considered to have the recent and relevant financial experience to Chair the Committee. Alan Devine and Christina McComb have Masters degrees in Business Administration, Diane Seymour-Williams has an MA in Economics, Edmond Warner has a degree in Philosophy, Politics and Economics and the Board is satisfied, therefore, that the Audit Committee has the relevant background and competence in accounting and economics which is required to be effective. The Audit Committee's terms of reference, which are available on the Company's website, are reviewed on an annual basis.

The Audit Committee meets at least twice a year and considers reports from the Independent Auditor, the Manager and the Administrator. 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 Company's system of internal controls (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 and compliance departments, including a review of their 'whistle-blowing' policies; and
- making recommendations to the Board regarding the appointment and independence of the Independent Auditor and the objectivity and effectiveness of the audit process, with particular regard to the level of non-audit fees, if any.

All of the responsibilities listed above were reviewed during the year.

### Significant issues or judgements considered by the audit committee

The significant issues or judgements considered by the Audit Committee during the year in relation to the financial statements of the Company were as follows:

- valuation of unquoted investments; and
- over-commitment risk.

### Valuation of unquoted investments

The Company's accounting policy for valuing unquoted investments is set out in note 1 (c) on page 57. The Audit Committee reviewed and challenged the valuation prepared by the Manager taking account of the latest available information about the Company's fund investments, the Manager's knowledge of the underlying funds through its participation on fund advisory boards, etc. and comparison to current market data where appropriate. The Audit Committee satisfied itself that the valuation of investments had been carried out consistently with prior periods and in accordance with published industry guidelines. The audit committee also considered the auditor's work and conclusions in this area.

### Over-commitment risk

The Board considers and monitors commitments and the risk of over-commitment at all Board meetings. The Audit Committee reviewed how the Company's commitment risks and cash flow had been managed over the course of the financial year and expectations for the future and reviewed the future cash flow projections prepared by the Manager. In particular, the Audit Committee considered and questioned the underlying assumptions as to outflows and inflows, based on the Manager's knowledge of developments at the underlying funds and historic accuracy of the model in projecting cash flow. The Audit Committee also considered the auditor's work and conclusions in this area.

### Conclusions of the Audit Committee

Having reviewed the reports from the Manager and having considered the significant issues or judgements, the Audit Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

At the request of the Board, the Audit Committee considered whether the 2017 Annual Report and Financial Statements was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The Audit Committee is satisfied that, taken as a whole, the Annual Report and Financial Statements is fair, balanced and understandable. In reaching this conclusion, the directors have assumed that the reader of the Annual Report and Financial Statements has a reasonable level of knowledge of the investment industry.

### External auditor

The Independent Auditor, KPMG LLP ("KPMG"), attends all meetings of the Audit Committee and meets, at least annually, with the Audit Committee, in the absence of the Manager. The Audit Committee discusses and agrees the scope of the audit plan for the full year and the auditor's report on their findings at the conclusion of the audit. The Audit Committee also received a report from the auditor identifying to its satisfaction how their independence and objectivity is maintained when providing non-audit services. Any non-audit services to be provided by the auditor must be approved by the Audit Committee in advance of any work being carried out. Details of the Auditor's fees, including fees for non-audit services can be found on page 59. The cost of non-audit services provided by the Auditor for the financial year ended 30 September 2017 was £12,000 (2016: £22,000, provided by PricewaterhouseCoopers LLP ("PWC")). This comprised £12,000 in relation to the half-year review (2016: comprised £7,000 in relation to tax compliance and £15,000 in relation to the half-year review, both of which were provided by PWC.) The non-audit services are primarily assurance related, and the Audit Committee believe KPMG are best placed to provide them on a cost effective basis.

# Governance

## Report of the Audit Committee

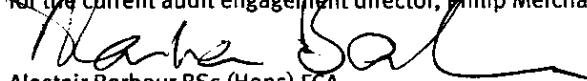
The Audit Committee assessed the effectiveness of the audit, the quality of the audit team and advice received from them through a review of interaction with the auditor, reports received from them and discussion with the Manager.

As outlined in the Company's Annual Report and Financial Statements for the year ended 30 September 2016 and the accompanying circular, in accordance with section 519 of the Companies Act 2006, the former auditor, PWC advised that they were no longer able to hold office as the Company's Auditor, since they were no longer independent under the Revised Ethical Standards issued by the Financial Reporting Council. PWC, therefore, stepped down as auditor at the conclusion of the Company's AGM on 24 January 2016.

Following a tender process, KPMG were selected and, having expressed their willingness to be appointed auditor to the Company, were appointed, following a resolution at the Company's AGM on 24 January 2017. As this is the first

year that the Company was audited by KPMG, no tender for the audit of the company has taken place since the AGM but will be undertaken by 2027, in compliance with new EU regulations. The Committee keeps KPMG's appointment under ongoing review. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibility) Order 2014 during the year.

The audit engagement director rotates every five years in accordance with ethical guidelines and 2017 is the first year for the current audit engagement director, Philip Merchant.



Alastair Barbour BSc (Hons) FCA  
Chairman

30 November 2017



# Governance

## Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Edmond Warner, OBE  
Chairman

30 November 2017



# Governance

## Depositary Report

**Year ended 30 September 2017**

**Statement of the Depositary's Responsibilities as provided pursuant to the agreement in place between (1) Standard Life Private Equity Trust plc (2) BNP Paribas Securities Services, London Branch and (3) SL Capital Partners LLP dated 4 July 2014 (the "Depositary Agreement"), any words and expressions used in this letter which are defined in the Depositary Agreement will have the same meaning therein.**

Under the Alternative Investment Fund Managers Directive the Depositary is responsible for:

1. General oversight including the oversight of the valuation of the Company, investment restrictions and the application and distribution of income;
2. The safekeeping of any Financial Instruments of the Company, and appropriate record keeping of and verification of ownership of Other Assets; and
3. Monitoring the cash flows of the Company, in particular the significant movements and to ensure that reconciliations are monitored.

**Report of the Depositary for the Year ended 30 September 2017**

Having carried out such procedures as we considered necessary to discharge our responsibilities and duties as Depositary of the Company pursuant to the Depositary Agreement, it is our opinion, based upon the information available to us and the explanations provided during the period under review, that in all material respects, and in relation to the Company's Constitutive Documents, the Company has carried out its relevant responsibilities to shareholders.

**BNP Paribas Securities Services S.A.**

30 November 2017

# Financial Statements

## Independent Auditor's Report to the Members of Standard Life Private Equity Trust plc

### Our opinion is unmodified

We have audited the financial statements of Standard Life Private Equity Trust plc for the year ended 30 September 2017 which comprise the the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

give a true and fair view of the state of Company's affairs as at 30 September 2017 and of its profits for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 24 January 2017. The period of total uninterrupted engagement is for the one financial year ended 30 September 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

# Financial Statements

## Independent Auditor's Report to the Members of Standard Life Private Equity Trust plc

	The risk	Our response
<b>Valuation of unquoted investments</b> (£505 million; 2016: £433 million) Refer to pages 45 to 46 (Report of the Audit Committee), pages 57 to 59 (accounting policies) and pages 62 and 69 (financial disclosures).	<b>Subjective valuation</b> 84.25% of the company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using underlying fund manager valuations as a basis. These are adjusted where considered appropriate. There is a significant risk over the valuation of these investments.	<b>Our procedures included:</b> <ul style="list-style-type: none"> <li>- <b>Control design:</b> Documenting and assessing the design and implementation of the investment valuation processes and controls;</li> <li>- <b>Control observation:</b> Attending the year-end Audit Committee meeting where we assessed the effectiveness of the Audit Committee's challenge and approval of unlisted investment valuations;</li> <li>- <b>Methodology choice:</b> In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected;</li> <li>- <b>Our valuations experience:</b> Challenging the investment manager on key judgements affecting investee company valuations, including any adjustments made to the independent valuation produced by the underlying fund manager of the private equity funds;</li> <li>- <b>Comparing valuations:</b> We compared the valuations used in the financial statements to the independent valuations produced by the managers of the underlying funds and assessed the appropriateness of any adjustments made. Where an up to date independent valuation was not available, we recalculated the cash roll forward of the valuation performed by the investment manager; and</li> <li>- <b>Assessing transparency:</b> Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.</li> </ul> <p><b>Our results:</b> We found the Company's valuation of unquoted investments to be acceptable.</p>

# Financial Statements

## Independent Auditor's Report to the Members of Standard Life Private Equity Trust plc

### **Our application of materiality and an overview of the scope of our audit**

Materiality for the financial statements as a whole was set at £6.0m, determined with reference to a benchmark of total assets, of which it represents 1%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £299k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at SL Capital Partners in Edinburgh.

### **We have nothing to report on going concern**

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 44 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

### **We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Directors' remuneration report**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### **Disclosures of principal risks and longer-term viability**

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (page 7) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

### **Corporate governance disclosures**

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

# Financial Statements

## Independent Auditor's Report to the Members of Standard Life Private Equity Trust plc

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

### **We have nothing to report on the other matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Respective responsibilities**

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 47, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

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



**Philip Merchant (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

30 November 2017

# Financial Statements

## Statement of Comprehensive Income

	Notes	For the year ended 30 September 2017			For the year ended 30 September 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Total capital gains on investments</b>	9	-	72,537	72,537	-	100,041	100,041
Currency gains	14	-	163	163	-	8,727	8,727
Income	2	16,241	-	16,241	10,655	-	10,655
Investment management fee	3	(551)	(4,957)	(5,508)	(396)	(3,563)	(3,959)
Incentive fee	3	-	-	-	-	(6,447)	(6,447)
Administrative expenses	4	(1,068)	-	(1,068)	(806)	-	(806)
<b>Profit before finance costs and taxation</b>		<b>14,622</b>	<b>67,743</b>	<b>82,365</b>	<b>9,453</b>	<b>98,758</b>	<b>108,211</b>
Finance costs	5	(301)	(632)	(933)	(130)	(657)	(787)
<b>Profit before taxation</b>		<b>14,321</b>	<b>67,111</b>	<b>81,432</b>	<b>9,323</b>	<b>98,101</b>	<b>107,424</b>
Taxation	6	(2,037)	1,725	(312)	(2,207)	1,434	(773)
<b>Profit after taxation</b>		<b>12,284</b>	<b>68,836</b>	<b>81,120</b>	<b>7,116</b>	<b>99,535</b>	<b>106,651</b>
<b>Earnings per share - basic and diluted</b>	8	<b>7.99p</b>	<b>44.77p</b>	<b>52.76p</b>	<b>4.59p</b>	<b>64.15p</b>	<b>68.74p</b>

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

There are no items of other comprehensive income, therefore this statement is the single statement of comprehensive income of the Company.

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

No operations were acquired or discontinued in the year.

The dividend which has been recommended based on this Statement of Comprehensive Income is 12.00p (2016: 5.40p) per ordinary share.

# Financial Statements

## Statement of Financial Position

	Notes	At 30 September 2017		At 30 September 2016	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Investments	9		505,107		433,392
<b>Current assets</b>					
Receivables	10	808		774	
Cash and cash equivalents		93,648		105,883	
		94,456		106,657	
<b>Creditors: amounts falling due within one year</b>					
Payables	11	(571)		(7,417)	
<b>Net current assets</b>			93,885		99,240
<b>Total assets less current liabilities</b>			598,992		532,632
<b>Capital and reserves</b>					
Called-up share capital	13		307		307
Share premium account	14		86,485		86,485
Special reserve	14		51,503		51,503
Capital redemption reserve	14		94		94
Capital reserves	14		448,751		379,915
Revenue reserve	14		11,852		14,328
<b>Total shareholders' funds</b>			598,992		532,632
<b>Net asset value per equity share</b>	15		389.6p		346.4p

The financial statements on pages 49 to 69 were approved by the board of directors on 30 November 2017 and were signed on its behalf by:

Edmond Warner, OBE  
Chairman

30 November 2017





# Financial Statements

## Statement of Changes in Equity

For the year ended 30 September 2017

	Notes	Called-up share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Balance at 1 October 2016</b>		<b>307</b>	<b>86,485</b>	<b>51,503</b>	<b>94</b>	<b>379,915</b>	<b>14,328</b>	<b>532,632</b>
Profit after taxation		-	-	-	-	68,836	12,284	<b>81,120</b>
Dividends paid	7	-	-	-	-	-	(14,760)	<b>(14,760)</b>
<b>Balance at 30 September 2017</b>	<b>13, 14</b>	<b>307</b>	<b>86,485</b>	<b>51,503</b>	<b>94</b>	<b>448,751</b>	<b>11,852</b>	<b>598,992</b>

For the year ended 30 September 2016

	Notes	Called-up share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>Balance at 1 October 2015</b>		<b>312</b>	<b>86,485</b>	<b>56,024</b>	<b>89</b>	<b>280,380</b>	<b>15,450</b>	
Profit after taxation		-	-	-	-	99,535	7,116	
Buy back of ordinary shares		(5)	-	(4,521)	5	-	-	<b>(4,521)</b>
Dividends paid	7	-	-	-	-	-	(8,238)	
<b>Balance at 30 September 2016</b>	<b>13, 14</b>	<b>307</b>	<b>86,485</b>	<b>51,503</b>	<b>94</b>	<b>379,915</b>	<b>14,328</b>	

# Financial Statements

## Statement of Cash Flows

		For the year ended 30 September 2017		For the year ended 30 September 2016	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Net profit before taxation			81,432		107,424
Adjusted for:					
Finance costs			933		787
Gains on disposal of investments			(50,067)		(57,595)
Revaluation of investments			(22,470)		(42,446)
Currency gains			(163)		(8,727)
Increase in debtors			(155)		(15)
(Decrease)/increase in creditors			(6,891)		7,000
Tax deducted from non-UK income			(312)		(773)
UK Corporation Tax paid			-		(200)
Interest paid			(767)		(620)
<b>Net cash inflow from operating activities</b>			<b>1,540</b>		<b>4,835</b>
<b>Investing activities</b>					
Purchase of investments	9	(114,137)		(85,540)	
Disposal of underlying investments by funds	9	114,959		158,521	
<b>Net cash inflow from investing activities</b>			<b>822</b>		<b>72,981</b>
<b>Financing activities</b>					
Buy back of ordinary shares		-		(4,521)	
Ordinary dividends paid	7	(14,760)		(8,238)	
<b>Net cash outflow from financing activities</b>			<b>(14,760)</b>		<b>(12,759)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			<b>(12,398)</b>		<b>65,057</b>
Cash and cash equivalents at the beginning of the year			105,883		32,099
Currency gains on cash and cash equivalents			163		8,727
<b>Cash and cash equivalents at the end of the year</b>			<b>93,648</b>		<b>105,883</b>
<b>Cash and cash equivalent consists of:</b>					
Money market funds			76,332		45,934
Cash and short-term deposits			17,316		59,949
<b>Cash and cash equivalents</b>			<b>93,648</b>		<b>105,883</b>

# Financial Statements

## Notes to the Financial Statements

### 1. Accounting Policies

#### (a) Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 2006, Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. 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 Directors believe that this is appropriate for the reasons outlined in the Directors' Report on page 44. The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the current and prior year.

Rounding is applied to the disclosures in these financial statements, where considered relevant.

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

Dividends from quoted investments are included in revenue by reference to the date on which the price is marked ex-dividend. Income on quoted investments and other interest receivable are dealt with on an accruals basis. Dividends and income from unquoted investments are included when the right to receipt is established. Dividends are accounted for as income from investments in the Statement of Comprehensive Income.

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account of the Statement of Comprehensive Income except as follows:

- transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income;
- 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. Bank interest paid has arisen as a consequence of negative interest rates on Euro cash balances and has been charged wholly to revenue; and
- any incentive fees payable were allocated wholly to capital, as they are expected to be attributable largely, if not wholly, to capital performance.

#### (c) Investments

Investments have been designated upon initial recognition as fair value through profit or loss. On the date of making a legal commitment to invest in a fund, such commitment is recorded and disclosed. When funds are drawn in respect of such fund commitment, the resulting investment is recognised in the financial statements. The investment is removed when it is realised or 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 Statement of Comprehensive Income and are ultimately recognised in the capital reserves.

Unquoted investments are stated at the directors' estimate of fair value and follow the recommendations of the EVCA and the BVCA (European Private Equity & Venture Capital Association and British Private Equity & Venture Capital Association). The estimate of fair value is normally the latest valuation placed on a fund by its manager as at the Statement of Financial Position date. The valuation policies used by the manager in undertaking that valuation will generally be in line with the joint publication from the EVCA and the BVCA, 'International Private Equity and Venture Capital Valuation guidelines'. Where formal valuations are not completed as at the Statement of Financial Position date, the last available valuation from the fund manager is adjusted for any subsequent cash flows occurring between the valuation date and the Statement of Financial Position date. The Company's Manager may further adjust such valuations to reflect any changes in circumstances from the last manager's formal valuation date to arrive at the estimate of fair value.

For listed investments, fair value is deemed to be bid market prices or the closing prices for SETS stocks, on the Statement of Financial Position date, sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service.

**(d) Dividends payable** - Interim and final dividends are recognised in the period in which they are paid. Scrip dividends are recognised in the period in which shares are issued.

#### (e) Capital and reserves

**Share premium** - The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

**Special reserve** - 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.

# Financial Statements

## Notes to the Financial Statements

### 1. Accounting Policies (continued)

#### (e) Capital and reserves (continued)

**Capital redemption reserve** - this reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

**Capital reserves** - Gains or losses on investments realised in the year that have been recognised in the Statement of Comprehensive Income are transferred to the "Capital reserve - gains/(losses) on disposal". In addition, any prior unrealised gains or losses on such investments are transferred from the "Capital reserve - revaluation" to the "Capital reserve - gains/(losses) on disposal" on the disposal of the investment. Increases and decreases in the fair value of investments are recognised in the Statement of Comprehensive Income and are then transferred to the "Capital reserve - revaluation".

**Revenue reserve** - The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The revenue and capital realised reserves represent the amount of the Company's reserves distributable by way of dividend.

#### (f) Taxation

i) Current taxation - Provision for corporation tax is made at the current rate on the excess of taxable income net of any allowable deductions.

ii) Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position 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 Statement of Financial Position 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 timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements 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.

#### (g) Foreign currency translation, functional and presentation currency

**Foreign currency translation** - Overseas assets and liabilities are translated at the exchange rate prevailing at the Company's Statement of Financial Position date. Gains or losses on translation of investments held at the year-end are accounted for through the Statement of Comprehensive Income and transferred to capital reserves. Gains or losses on the translation of overseas currency balances held at the year end are also accounted for through the Statement of Comprehensive Income and transferred to capital reserves.

**Functional and presentation currency** - For the purposes of the financial statements, the results and financial position of the Company is expressed in sterling, which is the functional currency of the Company and the presentation currency of the Company.

Rates of exchange to sterling at 30 September were:

	2017	2016
Euro	1.1349	1.1559
US dollar	1.3417	1.2990

Transactions in overseas currency are translated at the exchange rate prevailing on the date of transaction.

**(h) Judgements and key sources of estimation uncertainty** - The preparation of financial statements requires the Company to make estimates and assumptions and exercise judgements in applying the accounting policies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The area where estimates and assumptions have the most significant effect on the amounts recognised in the financial statements is the determination of fair value of unquoted investments, as disclosed in note 1(c).

The Company's investments are made in a number of currencies. However, the Board considers the Company's functional currency to be sterling. In arriving at this conclusion, the Board considers that the shares of the Company are listed on the London Stock Exchange. The Company is regulated in the United Kingdom, principally has its shareholder base in the United Kingdom and pays dividends as well as expenses in sterling. Consequently, the Board also considers the Company's presentational currency to be sterling.

# Financial Statements

## Notes to the Financial Statements

### 1. Accounting Policies (continued)

(i) **Cash and cash equivalents** - Cash comprises bank balances and cash held by the Company. Cash equivalents comprise money market funds which are used by the Company to provide additional short-term liquidity. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

<b>2. Income</b>	<b>Year to 30 September 2017 £'000</b>	<b>Year to 30 September 2016 £'000</b>
Income from fund investments	16,026	10,338
Interest from cash balances and money market funds	215	11
Income from index tracker funds	-	306
<b>Total income</b>	<b>16,241</b>	<b>10,655</b>

<b>3. Investment management and incentive fees</b>	<b>Year to 30 September 2017</b>			<b>Year to 30 September 2016</b>		
	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>	<b>Revenue £'000</b>	<b>Capital £'000</b>	<b>Total £'000</b>
Investment management fee	551	4,957	5,508	396	3,563	3,959
Incentive fee	-	-	-	-	6,447	6,447
<b>Total</b>	<b>551</b>	<b>4,957</b>	<b>5,508</b>	<b>396</b>	<b>10,010</b>	<b>10,406</b>

The investment management fee payable to the Manager is 0.95% per annum with effect from 1 October 2016 (prior to 1 October 2016: 0.8% per annum) of the NAV of the Company. 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 the Manager is terminable by either party on twelve months written notice.

The incentive fee arrangement ended on 30 September 2016. This amounted to 10% of the growth in the diluted net asset value total return in excess of an annualised 8% hurdle rate, measured over the five year period ending 30 September 2016. Following the end of the incentive fee period, a single management fee of 0.95% per annum of the NAV of the Company replaced the previous management and incentive fees.

<b>4. Administrative expenses</b>	<b>Year to 30 September 2017 £'000</b>	<b>Year to 30 September 2016 £'000</b>
Directors' fees	186	182
Secretarial and administration fees	181	177
Marketing/advertising	170	141
Professional and consultancy fees	145	30
Depositary fees	100	86
Legal fees	80	7
Auditor's remuneration* – statutory audit	27	23
– interim review	12	15
Taxation services	-	7
Fees and subscriptions	31	27
Other expenses	136	111
<b>Total</b>	<b>1,068</b>	<b>806</b>

Irrecoverable VAT has been shown under the relevant expense line.

\* The prior year's auditor's remuneration and taxation services figures are in respect of the services provided by Pricewaterhousecoopers LLP ("PWC"). PWC retired as auditor following the Company's AGM on 25 January 2017. At the same time, KPMG LLP ("KPMG") was appointed as auditor. Accordingly, the current year auditor's remuneration figures are for the services provided by KPMG. Auditor's remuneration is shown net of VAT. In the prior year, auditor's remuneration was stated inclusive of VAT and the comparative figures have been adjusted accordingly, with the VAT element, where irrecoverable, shown under "Other expenses". There was no change to the comparative total expenses, total return or NAV.

# Financial Statements

## Notes to the Financial Statements

### 4. Administrative expenses (continued)

The administration fee payable to BNP Paribas Securities S.A. is adjusted annually in line with the retail prices index. The administration agreement is terminable by the Company on three months' notice.

The secretarial fee payable to Maven Capital Partners UK LLP is adjusted annually in line with the retail prices index. The secretarial agreement is terminable by the Company on six months' notice.

The emoluments paid to the directors during the year can be found in the Directors' Remuneration Report on pages 39 to 41.

5. Finance costs	Year to 30 September 2017			Year to 30 September 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loan commitment fee	56	504	560	56	504	560
Bank interest paid*	231	-	231	57	-	57
Bank loan arrangement fee	14	128	142	17	153	170
<b>Total</b>	<b>301</b>	<b>632</b>	<b>933</b>	<b>130</b>	<b>657</b>	<b>787</b>

\* Bank interest paid includes negative interest on Euro denominated money market funds.

6. Taxation	Year to 30 September 2017 £'000	Year to 30 September 2016 £'000
(a) Analysis of the tax charge throughout the year		
Overseas withholding tax	312	773

	Year to 30 September 2017			Year to 30 September 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(b) Factors affecting the total tax charge for the year						
Return before taxation	14,321	67,111	81,432	9,323	98,101	107,424

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below.

	Year to 30 September 2017			Year to 30 September 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return multiplied by the effective rate of corporation tax in the UK - 19.5% (2016: 20%)	2,793	13,087	15,880	1,865	19,620	21,485
Non-taxable capital gains on investments <sup>1</sup>	-	(14,145)	(14,145)	-	(20,008)	(20,008)
Non-taxable currency gains	-	(32)	(32)	-	(1,745)	(1,745)
Non-taxable income	(1,068)	-	(1,068)	(431)	-	(431)
Overseas withholding tax	312	-	312	773	-	773
Surplus management expenses and loan relationship deficits (relieved)/not relieved	-	(635)	(635)	-	699	699
<b>Total tax charge/(credit) for the year</b>	<b>2,037</b>	<b>(1,725)</b>	<b>312</b>	<b>2,207</b>	<b>(1,434)</b>	<b>773</b>

<sup>1</sup> The Company carries on business as an investment trust company with respect to sections 1158-1159 of the Corporation Tax Act 2010. As such any capital gains are exempt from UK taxation.

# Financial Statements

## Notes to the Financial Statements

### (c) Factors that may affect future tax charges

At the year-end there is a potential deferred tax asset of £641,000 (2016: £1,307,000) in relation to excess management expenses carried forward. The deferred tax asset is unrecognised at the year-end in line with the Company's stated accounting policy.

Changes to the UK corporation tax rates were substantially enacted as part of Finance bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the Statement of Financial Position date have been measured at these enacted rates and reflected in these financial statements.

<b>7. Dividend on ordinary shares</b>	<b>Year to 30 September 2017 £'000</b>	<b>Year to 30 September 2016 £'000</b>
Amount recognised as a distribution to equity holders in the year:		
2016 final dividend of 3.60p (2015: 3.50p) per ordinary share paid on 27 January 2017 (2016: paid on 29 January 2016)	5,535	5,452
2017 interim dividend of 6.00p (2016: 1.80p) per ordinary share paid on 21 July 2017 (2016: paid on 15 July 2016)	9,225	2,786
<b>Total</b>	<b>14,760</b>	<b>8,238</b>

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of sections 1158-1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of a dividend for the year is £12,284,000 (2016: £7,116,000).

	<b>Year to 30 September 2017 £'000</b>	<b>Year to 30 September 2016 £'000</b>
2017 interim dividend of 6.00p (2016: 1.80p) per ordinary share paid on 21 July 2017 (2016: paid on 15 July 2016)	9,225	2,786
Proposed 2017 final dividend of 6.00p per ordinary share (2016 final dividend: 3.60p per ordinary share) due to be paid on 31 January 2018 (paid 27 January 2017).	9,225	5,535
<b>Total</b>	<b>18,450</b>	<b>8,321</b>

<b>8. Net return per ordinary share</b>	<b>Year to 30 September 2017</b>		<b>Year to 30 September 2016</b>	
	<b>p</b>	<b>£'000</b>	<b>p</b>	<b>£'000</b>
The net return per ordinary share is based on the following figures:				
Revenue net return	7.99	12,284	4.59	7,116
Capital net return	44.77	68,836	64.15	99,535
<b>Total net return</b>	<b>52.76</b>	<b>81,120</b>	<b>68.74</b>	<b>106,651</b>
Weighted average number of ordinary shares in issue:		153,746,294		155,155,447

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## Notes to the Financial Statements

9. Investments	30 September 2017			30 September 2016		
	Index tracker funds £'000	Fund investments £'000	Total £'000	Index tracker funds £'000	Fund investments £'000	Total £'000
Fair value through profit or loss:						
Opening market value	-	433,392	433,392	37,339	368,993	406,332
Opening investment holding (gains)/losses	-	(5,371)	(5,371)	1,817	35,258	37,075
<b>Opening book cost</b>	-	<b>428,021</b>	<b>428,021</b>	<b>39,156</b>	<b>404,251</b>	<b>443,407</b>
Movements in the year:						
Additions at cost	-	93,987	93,987	-	66,193	66,193
Secondary purchases	-	20,150	20,150	-	19,099	19,099
Dividends reinvested	-	-	-	248	-	248
Disposal of underlying investments by funds	-	(114,959)	(114,959)	(41,384)	(117,137)	(158,521)
Disposal of fund investments by way of secondary sales	-	-	-	-	-	-
	-	427,199	427,199	(1,980)	372,406	370,426
Gains on disposal of underlying investments	-	52,010	52,010	1,980	56,172	58,152
Losses on liquidation of fund investments	-	(1,943)	(1,943)	-	(557)	(557)
Gains on disposal of fund investments by way of secondary sales	-	-	-	-	-	-
<b>Closing book cost</b>	-	<b>477,266</b>	<b>477,266</b>	-	<b>428,021</b>	<b>428,021</b>
Closing investment holding gains	-	27,841	27,841	-	5,371	5,371
<b>Closing market value</b>	-	<b>505,107</b>	<b>505,107</b>	-	<b>433,392</b>	<b>433,392</b>

	30 September 2017			30 September 2016		
	Index tracker funds £'000	Fund investments £'000	Total £'000	Index tracker funds £'000	Fund investments £'000	Total £'000
Gains on investments:						
Net gains on disposal of investments	-	50,067	50,067	1,980	55,615	57,595
Net revaluation of investments	-	22,470	22,470	1,817	40,629	42,446
<b>Total</b>	-	<b>72,537</b>	<b>72,537</b>	<b>3,797</b>	<b>96,244</b>	<b>100,041</b>

### Transaction costs

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

	30 September 2017 £'000	30 September 2016 £'000
Purchases in respect of unquoted fund investments	245	30



# Financial Statements

## Notes to the Financial Statements

10. Receivables	30 September 2017 £'000	30 September 2016 £'000
Amounts falling due within one year:		
Unamortised loan arrangement fees	399	520
Corporation tax recoverable	200	200
Interest receivable	140	2
Prepayments	67	52
Withholding tax recoverable	2	-
<b>Total</b>	<b>808</b>	<b>774</b>

11. Payables	30 September 2017 £'000	30 September 2016 £'000
Management fee	307	838
Loan interest and commitment fee	62	17
Secretarial and administration fee	37	35
Accruals and deferred income	165	80
Incentive fee	-	6,447
<b>Total</b>	<b>571</b>	<b>7,417</b>

### 12. Bank loans

At 30 September 2017, the Company had an £80 million (2016: £80 million) committed, multi-currency syndicated revolving credit facility provided by Citi and Societe Generale of which £nil (2016: £nil) had been drawn down. The facility expires on 31 December 2020. The interest rate on this facility is LIBOR plus 1.50%, rising to 1.70% depending on utilisation and the commitment fee payable on non-utilisation is 0.7% per annum.

13. Called up share capital	30 September 2017 £	30 September 2016 £
<b>Issued and fully paid:</b>		
<b>Ordinary shares of 0.2p</b>		
Opening balance of 153,746,294 (2016: 155,776,294) ordinary shares	307,493	311,553
Buy back of nil (2016: 2,030,000) ordinary shares	-	(4,060)
Closing balance of 153,746,294 (2016: 153,746,294) ordinary shares	<b>307,493</b>	<b>307,493</b>

The Company has bought back its own shares where it is judged to be beneficial to shareholders, taking into account the discount between the Company's Net Asset Value and the share price, and the supply and demand for the Company's shares in the open market.

# Financial Statements

## Notes to the Financial Statements

14. Reserves				Capital reserves		
	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Gains/(losses) on disposal £'000	Revaluation £'000	Revenue reserve £'000
Opening balances at 1 October 2016	86,485	51,503	94	374,544	5,371	14,328
Gains on disposal of investments	-	-	-	50,067	-	-
Management fee charged to capital	-	-	-	(4,957)	-	-
Finance costs charged to capital	-	-	-	(632)	-	-
Tax relief on management fee and finance costs above	-	-	-	1,725	-	-
Currency gains	-	-	-	163	-	-
Revaluation of investments	-	-	-	-	22,470	-
Return after taxation	-	-	-	-	-	12,284
Dividends during the year	-	-	-	-	-	(14,760)
Closing balances at 30 September 2017	86,485	51,503	94	420,910	27,841	11,852

15. Net asset value per equity share	30 September 2017	30 September 2016
Basic and diluted:		
Ordinary shareholders' funds	£598,991,912	£532,632,079
Number of ordinary shares in issue	153,746,294	153,746,294
Net asset value per ordinary share	389.6p	346.4p

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

16. Commitments and contingent liabilities	30 September 2017 £'000	30 September 2016 £'000
Outstanding calls on investments	325,633	305,886

This represents commitments made to fund investments remaining undrawn.

### 17. Parent undertaking and related party transactions

The Manager during the year was SL Capital Partners LLP which is part of Standard Life Investments Limited. Standard Life Investments Limited is a wholly owned subsidiary of Standard Life Aberdeen plc, the ultimate parent undertaking of the Company. The financial statements of the ultimate parent undertaking are the only group financial statements incorporating the financial statements of the Company. These financial statements present information of the Company and not of its group. Copies of the financial statements of the ultimate parent undertaking are available to download from the website [www.standardlifeaberdeen.com](http://www.standardlifeaberdeen.com).

Details of the merger between Standard Life plc and Aberdeen Asset Management plc are included in the Strategic Report on page 8.

Standard Life Aberdeen plc and the Company have entered into a relationship agreement which provides that, for so long as Standard Life Aberdeen plc and its subsidiaries exercise, or control the exercise, of 30% or more of the voting rights of the Company, Standard Life Aberdeen plc will not seek to nominate directors who are not independent of Standard Life Aberdeen plc 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 is set out in the Directors' Report on page 37. During the year ended 30 September 2017, Standard Life Aberdeen plc received dividends from the Company totalling £8,267,000 (2016: Standard Life plc received dividends from the Company totalling £4,564,000).

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## Notes to the Financial Statements

### 17. Parent undertaking and related party transactions (continued)

The Company invests in the Standard Life Investments Liquidity Funds which are managed by Standard Life Investments Limited. As at 30 September 2017 the Company had invested £27,291,000 in the Standard Life Investments Liquidity Funds (2016: £45,934,000) which are included within cash and cash equivalents in the Statement of Financial Position. During the year, the Company received interest amounting to £54,000 (2016: £23,000) on GBP denominated positions. The Company incurred £103,000 (2016: £20,000) interest on EUR denominated positions as a result of negative interest rates. As at 30 September 2017 no interest was due to the Company on Sterling denominated positions (2016: £8,000) and there was no interest payable on Euro denominated positions (2016: £nil). No additional fees are payable to Standard Life Investments as a result of this investment.

During the year ended 30 September 2017 the Manager charged management fees totalling £5,508,000 (2016: £3,959,000) to the Company in the normal course of business. The balance of management fees outstanding at 30 September 2017 was £307,000 (2016: £838,000).

As at 30 September 2017 no incentive fee was payable to the Manager (2016: £6,447,000). Details of the incentive fee are disclosed in note 3.

During the year ended 30 September 2017, the directors of the Company received fees for their services. Details of these fees are provided in the Directors' Remuneration Report on pages 39 to 41. The directors were reimbursed £16,000 (2016: £11,000) for out of pocket expenses incurred in attending the Company's business. No amounts were outstanding to the directors at the year-end (2016: nil). The directors' shareholdings are also detailed on page 39.

No other related party transactions were undertaken during the year ended 30 September 2017.

### 18. Risk management, financial assets and liabilities

#### Financial assets and liabilities

The Company's financial instruments comprise fund and other investments, money market funds, cash balances, debtors and creditors that arise from its operations. The assets and liabilities are managed with the overall objective of achieving long-term total returns for shareholders.

#### Summary of financial assets and financial liabilities by category

The carrying amounts of the Company's financial assets and financial liabilities, as recognised at the Statement of Financial Position date of the reporting periods under review, are categorised as follows:

	30 September 2017 £'000	30 September 2016 £'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	505,107	433,392
<b>Loans and receivables:</b>		
Current assets:		
Debtors (accrued income and other debtors)	808	774
Money market funds, cash and short-term deposits	93,648	105,883
	<b>599,563</b>	<b>540,049</b>
<b>Financial liabilities</b>		
Measured at amortised cost:		
Creditors: amounts falling due within one year:		
Accruals	571	7,417

#### Fair values of financial assets and financial liabilities

The carrying value of the current assets and liabilities is deemed to be fair value due to the short-term nature of the instruments and/or the instruments bearing interest at the market rates.

# Financial Statements

## Notes to the Financial Statements

### 18. Risk management, financial assets and liabilities (continued)

#### Risk management

The directors manage investment risk principally through setting an investment policy and by contracting management of the Company's investments to an investment manager under terms which incorporate appropriate duties and restrictions and by monitoring performance in relation to these. The Company's investments are in private equity funds, typically unquoted limited partnerships. These private equity funds are valued by their managers generally in line with the EVCA and the BVCA guidelines, which provide for a fair value basis of valuation. The funds may hold investments that have become quoted and these will be valued at the appropriate listed price, subject to any discount for marketability restrictions.

As explained in the Company's investment policy, risk is spread by investing across a range of countries and industrial sectors, thereby reducing excessive 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.

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, over-commitment risk, liquidity risk, credit risk and interest rate risk.

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Company are discussed below.

#### Market risk

##### a) Price risk

The Company is at risk of the economic cycle impacting the listed financial markets and hence potentially affecting the pricing of new underlying investments, the valuation of existing underlying investments and the price and timing of exits. By having a diversified and rolling portfolio of fund investments the Company is well placed to take advantage of economic cycles.

100% of the Company's investments are held at fair value. The valuation methodology employed by the managers of these funds may include the application of EBITDA ratios derived from listed companies with similar characteristics. Therefore, the value of the Company's portfolio is indirectly affected by price movements on listed financial exchanges. A 10% increase in the valuation of investments at 30 September 2017 would have increased the net assets attributable to the Company's shareholders and the total return for the year by £50,511,000 (2016: £43,339,000); a 10% change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total return for the year by an equivalent amount.

##### b) Currency risk

The Company makes fund commitments in currencies other than sterling and, accordingly, a significant proportion of its investments and cash balances are in currencies other than sterling. In addition, the Company's syndicated revolving credit facility is a multi-currency facility. Therefore, the Company's Statement of Financial Position is sensitive to movements in foreign exchange rates. The Manager monitors the Company's exposure to foreign currencies and reports to the Board on a regular basis. It is not the Company's policy to hedge this foreign currency risk. It is expected that the majority of the Company's commitments and investments will be denominated in euros. Accordingly, the majority of the Company's liquidity and any indebtedness is usually held in that currency. No currency swaps or forwards were used during the year.

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## Notes to the Financial Statements

The table below sets out the Company's currency exposure.

	30 September 2017		30 September 2016	
	Local Currency '000	Sterling Equivalent £'000	Local Currency '000	Sterling Equivalent £'000
Fixed asset investments:				
Euro	502,210	442,515	435,103	376,419
Sterling	25,677	25,677	13,776	13,776
US Dollar	49,527	36,915	56,113	43,197
Money market funds, cash and short-term deposits:				
Euro	73,282	64,571	51,453	44,513
Sterling	9,556	9,556	48,825	48,825
US Dollar	26,190	19,521	16,296	12,545
Other debtors and creditors:				
Euro	(47)	(41)	-	-
Sterling	157	157	(6,643)	(6,643)
US Dollar	164	121	-	-
<b>Total</b>		<b>598,992</b>		<b>532,632</b>
Outstanding commitments:				
Euro	289,584	255,163	275,196	238,079
Sterling	29,098	29,098	19,406	19,406
US Dollar	55,506	41,372	62,873	48,401
<b>Total</b>		<b>325,633</b>		<b>305,886</b>

The revenue account is subject to currency fluctuations arising on overseas income. The Company does not hedge this currency risk.

### c) Currency sensitivity

During the year ended 30 September 2017 sterling depreciated by 1.8% relative to the euro (2016: depreciated 14.8%) and appreciated by 3.3% relative to the US dollar (2016: depreciated 14.2%).

To highlight the sensitivity to currency movements, if the value of sterling had weakened against both of the above currencies by 10% compared to the exchange rates at 30 September 2017, the capital gain would have increased for the year by £62,606,000 (2016: increase of £52,964,000 in capital gain); a 10% change in the opposite direction would have decreased the capital gain for the year by £51,229,000 (2016: £43,334,000).

The calculations above are based on the portfolio valuation and cash and loan balances as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Based on similar assumptions, the amount of outstanding commitments would have increased by £32,948,000 at the year-end (2016: £31,832,000), a 10% change in the opposite direction would have decreased the amount of outstanding commitments by £26,958,000 (2016: £26,043,000).

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## Notes to the Financial Statements

### Liquidity risk

The Company has significant investments in unquoted fund investments which are relatively illiquid. As a result, the Company may not be able to quickly liquidate its investments in these funds at an amount close to their fair value in order to meet its liquidity requirements, including the need to meet outstanding undrawn commitments. The Company manages its liquid investments to ensure sufficient cash is available to meet contractual commitments and also seeks to have cash available to meet other short-term financial needs. Short-term flexibility is achieved, where necessary, through the use of the syndicated revolving multi-currency loan facility. Liquidity risk is monitored by the Manager on an ongoing basis and by the Board on a regular basis. Current liabilities, as disclosed in note 11, all fall due within one year and the loan facility, as described in note 12, remains undrawn.

### Credit risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company places funds with authorised deposit takers from time to time and, therefore, is potentially at risk from the failure of any such institution. At the year-end, the Company's financial assets exposed to credit risk amounted to the following:

	30 September 2017 £'000	30 September 2016 £'000
Money market funds, cash and short-term deposits	93,648	105,883

The Company's cash is held by BNP Paribas Securities Services S.A., which is rated 'A' by Standard and Poors. The Company's money market funds are held in two Standard Life Investments Liquidity funds as well as in Societe Generale money-market funds. The Standard Life Investments Liquidity funds are rated 'AAA' by Standard and Poors, while the money-market fund held by Societe Generale is rated 'A' by Standard and Poors. Should the credit quality or the financial position of either bank deteriorate significantly, the Manager would move the cash balances to another institution.

### Interest rate risk

The Company will be affected by interest rate changes as it holds some interest bearing financial assets and liabilities which are shown in the table below, however, the majority of its financial assets are investments in private equity funds which are non-interest bearing. Interest rate movements may affect the level of income receivable on money market funds and cash deposits and interest payable on the Company's variable rate borrowings. The possible effects on the cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. Derivative contracts are not used to hedge against any exposure to interest rate risk.

### Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the Statement of Financial Position date was as follows:

	30 September 2017		30 September 2016	
	Weighted average interest rate %	£'000	Weighted average interest rate %	£'000
<b>Floating rate</b>				
Financial assets: Money market funds, cash and short-term deposits	0.01	93,648	(0.10)	105,883

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on the bank balances is based on the interest rate payable, weighted by the total value of the balances. The weighted average period for which interest rates are fixed on the bank balances is 31.0 days (2016: 31.0 days). The loan facility, as disclosed on note 12, remains undrawn.

# Financial Statements

## Notes to the Financial Statements

### Interest rate sensitivity

An increase of 100 basis points in interest rates would have decreased the net assets attributable to the Company's shareholders and decreased the total gain for the year ended 30 September 2017 by £7,000 (2016: £8,000). A decrease of 100 basis points would have increased the net assets attributable to the Company's shareholders and increased the total gain for the year ended 30 September 2017 by an equivalent amount. The calculations are based on the interest paid and received during the year.

### 19. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company has early adopted Amendments to FRS 102 - Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. The fair value hierarchy shall have the following classifications:

- Level 1: The unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

The Company's financial assets and liabilities, measured at fair value in the Statement of Financial Position, are grouped into the following fair value hierarchy at 30 September 2017:

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investments	-	-	503,708	503,708
Quoted investments	1,399	-	-	1,399
<b>Net fair value</b>	<b>1,399</b>	<b>-</b>	<b>503,708</b>	<b>505,107</b>

As at 30 September 2016

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investments	-	-	433,392	433,392
Quoted investments	-	-	-	-
<b>Net fair value</b>	<b>-</b>	<b>-</b>	<b>433,392</b>	<b>433,392</b>

### Unquoted investments

The fair value of the Company's investments in unquoted fund interests has been determined by reference to primary valuation techniques described in note 1(c) to these financial statements.

### Quoted investments

At 30 September 2017, the Company's investments included shares which were actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date (2016: no holdings).

During the year there was a movement of £2,743,000 (2016: £nil) from Level 3 to Level 1 representing the receipt of private equity distributions in the form of listed investments as opposed to cash.

### Securities Financing Transactions (SFT)

The Company has not, in the year to 30 September 2017 (2016: none) participated in any repurchase transactions; securities lending or borrowing; buy-sell back transactions; margin lending transactions; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in order to satisfy the EU regulations on transparency of SFT.

# Notice of Annual General Meeting

Notice is hereby given that the seventeenth annual general meeting of Standard Life Private Equity Trust plc (the "Company") will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh, EH2 2EQ on Thursday 25 January 2018 at 12.30 p.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 10 (inclusive) will be proposed as ordinary resolutions and resolutions 11 and 12 (inclusive) will be proposed as special resolutions.

1. That the Annual Report and Financial Statements for the year ended 30 September 2017, including the Directors' report, the Directors' remuneration report and the independent auditor's report be received.
2. That the Directors' remuneration report for the year ended 30 September 2017 be approved.
3. That a final dividend of 6.0 pence per ordinary share be declared.
4. That Mr Devine be re-elected as a director.
5. That Ms McComb be re-elected as a director.
6. That Mr Warner be re-elected as a director.
7. That Ms Seymour-Williams be elected as a director.
8. That Mr Thomson be elected as a director.
9. That KPMG LLP be re-appointed as Independent Auditor of the Company and to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.
10. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £102,395, such authority to expire on 31 March 2019 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2019, 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.
11. That, subject to the passing of resolution 10 in this notice of annual general meeting and in substitution for any existing powers but without prejudice to the exercise of any such power prior to the date of the passing of this resolution, the directors be and are hereby generally empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority under section 551 of the Act conferred

by resolution 10 in this notice of the annual general meeting as if section 561 of the Act did not apply to the allotment. This power:

- (i) expires on 31 March 2019 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2019, 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 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 £15,374.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 724 of the Act as if in the first paragraph of this resolution 11 the words "pursuant to the authority under section 551 of the Act conferred by resolution 10 in this notice of annual general meeting" were omitted.

12. That, in substitution for any existing authority, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 0.2 pence 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% of the Company's issued ordinary share capital (being approximately 23,046,569 ordinary shares) as at the date on which this resolution is passed;
  - (ii) the minimum price which may be paid for an ordinary share shall be 0.2 pence;
  - (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% of the average of the middle market quotations (as derived from the Daily Official List of London Stock Exchange plc) for the ordinary shares for the five business days immediately preceding the date of purchase; and (b) the higher of the price of the last independent trade and the highest current independent bid relating to an ordinary share on the trading venue on which the purchase is carried out; and



# Notice of Annual General Meeting

- (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 March 2019 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2019, 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.

MAVEN CAPITAL PARTNERS UK LLP,  
By order of the Board  
SECRETARY  
Maven Capital Partners UK LLP  
Company Secretary  
Kintyre House,  
205 West George Street,  
Glasgow, G2 2LW  
*Claudia Han*  
AUTHORISED SIGNATORY  
4 December 2017

## Notes

### 1. Attending the Annual General Meeting in person

If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity prior to being admitted to the Annual General Meeting.

### 2. Appointment of proxies

Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying Form of Proxy.

If a member wishes a proxy to speak on their behalf at the meeting, the member will need to appoint their own choice of proxy (not the Chairman of the Annual General Meeting) and give their instructions directly to them. Such an appointment can be made using the Form of Proxy accompanying this notice of Annual General Meeting or through CREST.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Company's registrar Equiniti Limited (the "Registrar") at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

A member may instruct their proxy to abstain from voting on a particular resolution to be considered at the meeting by marking the "Vote withheld" option in relation to that particular resolution when appointing their proxy.

It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the resolution.

The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

### 3. Appointment of a proxy using a Form of Proxy

A Form of Proxy for use in connection with the Annual General Meeting is enclosed. To be valid any Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA at least 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

If you do not have a Form of Proxy and believe that you should have one, or you require additional Forms of Proxy, please contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

### 4. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: [www.euroclear.com](http://www.euroclear.com).

CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by

# Notice of Annual General Meeting

the Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## 5. Appointment of proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

## 6. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

## 7. Entitlement to attend and vote

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 23 January 2018 (or, if the Annual General Meeting is adjourned, at 6.30 p.m. on the day two days (excluding non-working days) prior to the adjourned meeting). Changes to the

Company's register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

## 8. Nominated persons

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

## 9. Website giving information regarding the Annual General Meeting

Information regarding the Annual General Meeting, including information required by section 311A of the Act, and a copy of this notice of Annual General Meeting is available from [www.sicapital.com/products](http://www.sicapital.com/products).

## 10. Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which Annual Report and Financial Statements were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

## 11. Voting rights

As at 4 December 2017 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 153,746,294 ordinary shares of 0.2 pence each. The Company held no shares in treasury. Only holders of ordinary shares are entitled to attend and vote at the Annual General Meeting. Each ordinary share carries one vote. Therefore, the total voting rights in the Company as at 4 December 2017 were 153,746,294 votes.

# Notice of Annual General Meeting

## 12. Notification of shareholdings

*Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the Annual General Meeting as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure Rules and Transparency Rules.*

## 13. Further questions and communication

Under section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members may not use any electronic address provided in this notice or in any related documents (including the accompanying document, Form of Proxy or Letter of Direction to communicate with the Company for any purpose other than those expressly stated.

Under Sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may

properly be moved) at the Annual General Meeting; and/or (ii) to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Annual General Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

## 14. Directors' letters of appointment

The directors' letters of appointment will be available for inspection at the registered office of the Company and at the offices of Dickson Minto W.S. at Broadgate Tower, 20 Primrose Street, London EC2A 2EW during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at The Balmoral Hotel, 1 Princes Street, Edinburgh EH2 2EQ from 12.15 p.m. until the conclusion of the Annual General Meeting.

# Additional Information

## Corporate and AIFMD Disclosures

### Over-commitment risk

The Board has taken the decision to make commitments to new fund investments which are greater than the current cash and committed credit facilities. As private equity funds generally call monies over a five year period whilst they are making investments, the drawdowns for funds which are investing should be offset by the more mature funds which are realising their investments and distributing cash back to the Company. The Manager monitors the Company's ongoing cash requirements by the use of cash flow modelling and reports to the Board on a regular basis. To minimise 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, a committed, multi-currency revolving credit facility was arranged, provided by Citi and Societe Generale, as described in note 12 of the financial statements. As at 30 September 2017 and 2016, £nil of the loan facility had been drawn down.

### Operating and control environment risk

The Board is responsible for the Company's system of internal controls. The Manager, the Administrator and Depositary have in place control systems which include the custody and safeguarding of the Company's assets, compliance with regulations (mainly sections 1158-1159 of the Corporation Tax Act 2010, 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 an effective system of internal controls is maintained.

### Alternative Investment Fund Managers Directive ("AIFMD")

The Directive requires the Manager of the Fund (the "AIFM") to set leverage limits for the Company, which are approved by the Board. Under the Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and is calculated on both a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The Company's maximum and average actual leverage levels at 30 September 2017 are shown below:

30 September 2017		
	Gross method	Commitment method
<b>Leverage exposure</b>		
Maximum limit	250.0%	250.0%
Actual	98.4%	100.0%

30 September 2016		
	Gross method	Commitment method
<b>Leverage exposure</b>		
Maximum limit	250.0%	250.0%
Actual	92.1%	101.3%

# Additional Information

## Information for Investors

### Registered address

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

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

Registrars' shareholder helpline: 0371 384 2618  
Registrars' broker helpline: 0906 559 6025\*

\* Calls cost £1.10 per minute plus your phone company's access charge.

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

### Dividends

Ordinary dividends are expected to be paid in January, April, July and October each year. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent to shareholders' registered addresses.

### Dividend Reinvestment Plan

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Company's Dividend Reinvestment Plan can complete a mandate form which may be obtained from Equiniti Limited at the above address.

### Ordinary share price and net asset value

The Company's ordinary share price is published in the Financial Times.

The Company's ordinary share capital is admitted to trading on the London Stock Exchange. The Stock Exchange code for the Company's ordinary shares is SLPE. The Company's Sedol number is 3047468, the ISIN number is GB0030474687 and the Legal Entity Identifier is 2138004MK7VPTZ99EV13.

In view of the unlisted nature of the Company's investment portfolio, the NAV is announced to the Stock Exchange quarterly. The Company also issues estimated NAVs on a monthly basis.

### Buying shares in the Company

The Company's shares are traded on the London Stock Exchange and can be bought and sold through a stock broker, financial adviser or via an investment platform.

### Savings Scheme and ISA

The Company's ordinary shares are eligible for individual Savings Accounts (ISAs). Investors and potential investors wishing to invest in the Company through an ISA or Savings Scheme should contact their ISA or Savings Scheme provider.

### AIC Membership

The Company is a member of the Association of Investment Companies (AIC).

### Regulatory Status – Non Mainstream Pooled Investments

The Board confirms that it conducts its affairs, and intends to continue to conduct its affairs, so that the Company's shares are excluded securities under the FCA's restrictions which apply to non-mainstream investment products. The Company's shares are excluded securities because the Company carries on business as an investment trust.

### Investment Manager

SL Capital Partners LLP  
1 George Street  
Edinburgh EH2 2LL

Telephone: 0131 245 0055

SL Capital Partners LLP is authorised and regulated by the Financial Conduct Authority and is a subsidiary of Standard Life Investments Limited, trading as Aberdeen Standard Investments. Aberdeen Standard Investments may record and monitor telephone calls to help improve customer service.

## Financial Calendar

December – Annual results announced  
December – Annual Report and Financial Statements published  
January – Annual General Meeting  
March – Quarterly trading statement announced  
June – Interim results announced and published  
September – Quarterly trading statement announced

# Additional Information

## Glossary of Terms and Definitions

### Bottom up valuation

Each underlying investment within a fund investment is valued at fair value by the fund manager at the reporting date using International Private Equity and Venture Capital Valuation guidelines.

### Buy-out fund

A fund which acquires controlling stakes in established companies.

### Commitment

The amount committed by the Company to a fund investment, whether or not such amount has been advanced in whole or in part by or repaid in whole or in part to the Company.

### Discount

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

### Distribution

A return that an investor in a private equity fund receives.

### Drawdown

A portion of a commitment which is called to pay for an investment.

### EBITDA

Earnings before interest expense, taxes, depreciation and amortisation.

### Enterprise value (EV)

The value of the financial instruments representing ownership interests in a company plus the net financial debt of the company.

### IPO

Initial Public Offering, the first sale of stock by a private company to the public market.

### Net Asset Value (NAV)

The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

### Ongoing Charges

Management fees and all other operating expenses excluding incentive fee and interest, expressed as a percentage of the average of the end of day quarterly net assets during the year.

### Premium

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

### Roll forward valuation

The latest fund valuation calculated on a bottom up valuation basis adjusted for any subsequent cash movements up to the reporting date and updated for exchange rates at the reporting date.

### Secondary transaction

The purchase or sale of a commitment to a fund or collection of fund interests in the market.

### Share buy-back transaction

The repurchase by the Company of its own shares in order to reduce the number of shares on the market.

### Total Return

Total Return involves reinvesting the net dividend on the day that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company in the quarter it goes ex-dividend.

## Corporate Information

### Directors

Edmond Warner OBE, Chairman  
Alastair Barbour  
Alan Devine  
Christina McComb  
Diane Seymour-Williams (appointed 7 June 2017)  
Calum Thomson (appointed 30 November 2017)  
David Warnock (retired 7 June 2017)

### Investment Manager

SL Capital Partners LLP  
1 George Street  
Edinburgh EH2 2LL  
United Kingdom

### Company Secretary

Maven Capital Partners  
Kintyre House  
205 West George Street  
Glasgow, G2 2LW  
United Kingdom

### Company Administrator and Depositary

BNP Paribas Securities Services S.A.  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

### Company Brokers

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
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### Solicitors

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London NW1 6AA  
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### Registrars

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Spencer Road  
Lancing West Sussex  
BN99 6DA

\* MacLay Murray & Spens LLP merged with Dentons UKMEA LLP ("Dentons") in October 2017 and thereafter carried on business under the Dentons name.

## **Standard Life Private Equity Trust plc**

### **Registered Office**

1 George Street  
Edinburgh EH2 2LL  
United Kingdom

### **Registered Number:**

Registered in Scotland:  
SC216638

## **Standard Life Aberdeen plc**

### **Registered Office**

1 George Street  
Edinburgh EH2 2LL  
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