

# Standard Life Private Equity Trust plc

Discover hidden depths,  
invest in private companies

## Annual Report & Financial Statements

For the year ended 30 September 2018

COMPANY NUMBER SC216638

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# Strategic Report

## 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" or "SLPET") provides investors access to a diversified portfolio of leading private companies. We achieve 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 2018

Net Asset Value  
("NAV")

**£661.4  
million**

**430.2p**  
per ordinary  
share

Market cap

**£531.2  
million**

**345.5p**  
share price

Share price  
total return

**5.8%**

**NAV**  
total return  
**13.3%**

The Company's dividend policy changed from paying semi-annual to quarterly dividends during the year. This has had a positive effect on the share price and NAV total return disclosed above.

**Full year dividend**  
**12.4p<sup>1</sup>, Yield 3.6%<sup>2</sup>**  
**Including proposed final**  
**quarterly dividend of**  
**3.1p per share**

**Management fee**  
**Simple flat fee of 0.95% per annum**  
**based on the net asset value.**  
**No performance fee.**  
**Expense ratio of 1.10%<sup>3</sup>**

**Cash realisations**  
**£127.9 million**  
**2.9x cost on realised investments**

**Cash invested**  
**£89.7 million**  
**in new private companies**

**Resources**  
**available for**  
**investment**  
**£86.5 million<sup>5</sup>**

**Discount to**  
**net asset value** **19.7%**

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

**Investment Manager**  
**SL Capital Partners LLP, part of Aberdeen Standard Investments ("ASI")<sup>7</sup>**

**Committed** **Purchased**  
**£117.0** **£21.9**  
**million** **million**  
**to five private equity funds** **through two secondary**  
**transactions**

**Outstanding commitments of**  
**£369.3 million**  
**to 55 private equity funds**

**£574.7** **Top private**  
**million** **10 equity**  
**invested in** **fund managers**  
**55** **private** **63.6% of**  
**equity** **NAV<sup>4</sup>**  
**funds**

**NAV and share price performance<sup>6</sup>**

<sup>1</sup> based on dividends announced in respect of the financial year ended 30 September 2018

<sup>2</sup> based on the 30 September 2018 share price of 345.5p

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

<sup>4</sup> 63.6% represents the percentage of the Company's NAV invested with the 10 largest private equity fund managers in the portfolio.

<sup>5</sup> Current year figure includes £29.0 million of listed equities invested as part of the Company's cash management remit.

<sup>6</sup> All total return. Indexed to 30 September 2017. Source: The Manager and Thomson Reuters Datastream.

<sup>7</sup> Aberdeen Standard Investments is the brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments.

# Strategic Report

## Chairman's Statement

**During the year to the end of September 2018, Standard Life Private Equity Trust's net asset value ("NAV") produced a total return of 13.3% and its share price delivered a total return of 5.8%.**

At 30 September 2018, the Company's net assets were £661.4 million (30 September 2017: £599.0 million). The NAV per ordinary share rose 10.4% over the year to 430.2 pence (30 September 2017: 389.6 pence). This increase in NAV during the period comprised 9.5% of net realised gains and income from the Company's portfolio of 55 private equity fund interests, 4.1% of unrealised gains on a constant exchange rate basis and 1.0% of positive exchange rate movements on the portfolio. This is partially offset by 1.1% of other items, fees and costs as well as by 3.1% of dividends paid during the year. For comparison, the MSCI Europe Index total return was 3.2% over the same period.

The Company's performance has been driven by 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 2018, these realisations totalled £127.9 million compared with £130.7 million in the previous year. Against this, £111.6 million was drawn down from the Company's resources to fund new and existing investee companies and secondary investments. This compares with £114.2 million for the prior year. The net effect of these cash flows was that, as at the end of September, the Company had resources available for investment of £86.5 million (30 September 2017: £93.6 million).

In support of the investment strategy, the Manager made five new fund commitments during the period, comprising €30.0 million each to PAI Europe VII, Equistone Partners Europe Fund VI and Bridgepoint Europe VI, €25.0 million to Investindustrial Growth and \$21.5 million to MSouth Equity Partners IV. Furthermore, the Manager undertook two transactions via the secondary market, acquiring commitments in Onex Partners IV and Nordic Capital Fund VIII. As a result of these investment activities, at 30 September 2018, the Company had total outstanding commitments of £369.3 million, compared with £325.6 million a year earlier, while the portfolio of 55 private equity fund interests was valued at £574.7 million (30 September 2017: 51 funds valued at £503.7 million).

The Board has proposed a final quarterly dividend for the year ended 30 September 2018 of 3.1 pence per share, to be paid on 25 January 2019 to the shareholders on the Company's share register at 21 December 2018. The final quarterly dividend, together with the previous quarterly dividends each of 3.1 pence per share, totals 12.4 pence per share (2017: 12.0 pence per share). The Board is committed to maintaining the real value of this enhanced dividend, in the absence of unforeseen circumstances. The Board believes that providing a strong, stable dividend is attractive to shareholders.

The Standard Life Private Equity Trust portfolio remains predominantly focused on buyout 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 in the future. 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 2017 Annual General Meeting has allowed the Manager to consider a number of opportunities further afield. In line with this broadening of the investment policy, the Company made a new fund commitment to MSouth Equity Partners IV and acquired a secondary position in Onex Partners IV, as described earlier. The Company is undertaking due diligence on a number of US-focused managers.

# Strategic Report

## Chairman's Statement

The outlook for the global private equity market remains competitive, with significant amounts of funds being raised. The managers of many funds the Company is invested in continue to report positive earnings growth across their portfolio of investee companies. In addition, the Company continues to benefit from strong levels of exit activity, 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 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 15% of the Company's portfolio. In general, the UK-based businesses have continued to perform well despite major political and economic uncertainty. It is not possible to predict the ultimate impact of Brexit, however your Board and the Manager continue 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.

Furthermore, following an in-depth strategic review, the Board has concluded that it would be beneficial to increase the opportunity set available to the Manager, by broadening the investment objective and policy of the Company to allow it to make direct investments into private companies alongside private equity managers ("co-investments"), mainly alongside managers of private equity funds which the Company and/or Aberdeen Standard Investments has invested in.

Direct private equity investments have multiple potential benefits, including:

- the ability to generate outsized returns versus fund investments;
- lower fees;
- providing increased exposure to particularly attractive assets; and
- the opportunity to put more capital to work.

Subject to lender consent, the Board is proposing at the Annual General Meeting that shareholders approve the requisite amendments to the investment objective and policy to action these changes.

I am pleased to announce that Merrick McKay, Alan Gauld and Patrick Knechtli will now form the Manager's key investment team with regard to the Company, with support coming from the rest of Aberdeen Standard Investments' Private Equity team, as before. Roger Pim has moved to another role within the Manager and the Board wishes him well and would like to record our thanks for his excellent leadership on behalf of the Company over many years.

### **Directorate Changes**

#### **Appointment of Director**

The Board was pleased to announce the appointment of Jonathon Bond as an independent non-executive director with effect from 15 June 2018.

A short description of Jonathon's background is shown on page 34.

#### **Retirement of Director**

As announced, I will be retiring from the Board on 31 December 2018 and Christina McComb will be appointed as the new Chair. Alan Devine will replace Christina McComb as the Company's new Senior Independent Director ("SID").

It has been a privilege to serve on the Standard Life Private Equity Trust board over the past 10 years. I would like to thank all of the directors and members of the Manager who I have worked with in that time and wish the Company continued investment success in the years ahead.

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

**11 December 2018**



# Strategic Report

## Company Details

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 pages 35 to 39.

### 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

#### *Investment strategy*

The principal focus of the Company is to invest in leading private equity buyout 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.

#### *Benchmark<sup>1</sup>*

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.

<sup>1</sup> As further explained in the Glossary, the Company uses a number of indices as comparator benchmarks for the Company's performance.



# Strategic Report

## Company Details

### ***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.

As noted in the Chairman's Statement, the Board is proposing certain amendments to the Company's objective and policy to permit the Company to make direct investments into private companies alongside private equity managers and certain other minor amendments. Further details of the proposed amendments along with the full text of the proposed objective and policy are set out on pages 38 and 39.

### **Change of Substantial Share Interests in the Company**

As noted in the 30 September 2017 Annual Report, Standard Life Aberdeen plc was the holder of 86,614,625 of the Company's shares (equating to 56.34% of the Company's issued share capital). These shares were held across a number of Standard Life Aberdeen plc funds, including those funds within the Standard Life Assurance Limited business ("SLAL"). In June 2018, Standard Life Aberdeen plc approved the sale of its insurance business, including SLAL, to the Phoenix Group for a combination of cash and shares. The sale of SLAL to Phoenix Group Holdings ("Phoenix") was completed on 31 August 2018, resulting in Standard Life Aberdeen plc (via SLAL) transferring the ownership of 53.58% of the Company's shares to Phoenix. Aberdeen Standard Investments, the asset management division of Standard Life Aberdeen plc, continues to be the investment manager of these SLAL funds and continues to exercise voting rights on these shares. Standard Life Aberdeen plc also remains the holder of 4,251,405 Company's shares representing the balance of 2.77% of its original holding which was not sold as part of the transaction.

### **Update on borrowings**

The Company has in place an £80 million syndicated revolving credit facility with Citi and Societe Generale, 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. In advance of the completion of the sale of SLAL to Phoenix, as referred to above, the Company agreed a waiver of the mandatory prepayment on change of control clause, which stipulates that 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 ceases to be the beneficial owner of more than 50.01% of the issued ordinary share capital of the Investment Manager, the facility may be cancelled. In the event of such cancellation the Company would then have to repay all outstanding loans together with accrued interest. At 30 September 2018, £nil of the loan facility was drawn down.

### **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.

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 buyout segment of the 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.

# Strategic Report

## Company Details

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.

### 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 67 to 71 of this Annual Report. The over-commitment as well as the operating and control environment risks are described in the Corporate and Alternative Investment Fund Managers Directive ("AIFMD") Disclosures section on page 76 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.

### 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 Board also engages with the Company's Broker in regard to share price and net asset value performance, volumes traded and market conditions. 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

# Strategic Report

## Company Details

The net asset value and share price performance for the one year and five years ended 30 September 2018, and since listing, are provided in the Financial Summary on page 31. The Company's share price discount levels are provided on page 32. An analysis of the portfolio cash flows, including drawdowns, distributions and fund commitments, is provided in the Report of the Manager section of the Strategic Report on pages 15 to 18. The Board assesses the performance of the Company over a variety of timeframes, but has particular focus on the long term, which the Board considers to be five years. The Board is pleased to report that the portfolio has delivered desirable returns over all timeframes. The portfolio remains cash generative and the Manager actively sources new material investment commitments to avoid resources available for investment increasing further. In addition, the portfolio has reflected strong performance over the year, albeit not reflected in the share price discount within the same period.

Delivering value to shareholders remains key to the Board. Following the end of the Incentive Fee period in 2016, the Board negotiated a management fee of 0.95% of the Company's NAV, resulting in an expense ratio that will benefit shareholders.

### 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 Highlights, Chairman's Statement, Portfolio Performance, Investment Activity and the Portfolio Review. Details of the Company's fund investments can be found on page 29. The ten largest funds are shown on pages 25 and 26 and the top 30 underlying private company investments are shown on page 30.

### 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 this Annual Report and Financial Statements.

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 five 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 such as over-commitment and market risks. By having a portfolio of fund investments, diversified by manager, vintage year, sector and geography, by assessing market and economic risks as decisions are made on new commitments, and by monitoring the Company's cash flows together with the Manager, 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.

# Strategic Report

## Company Details

### **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 45. 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 2018, there were four 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 44.

### **Approval**

The Strategic Report as a whole was approved by the Board of Directors and signed on its behalf by:

**Edmond Warner**  
Director

**11 December 2018**



# 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 policy. The Company proposes a dividend of 12.4 pence per share in respect of the year to 30 September 2018 (equivalent to 3.6% yield based on the 30 September 2018 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.

# Strategic Report

## Report of the Manager

### How the Company invests in private equity funds

- 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 initial public offerings 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.

# Strategic Report

## Report of the Manager

### **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

## Report of the Manager

### Portfolio Performance

### Headlines at 30 September 2018

#### SHARE PRICE TOTAL RETURN

5.8%

from 341.5p - 345.5p

#### NET ASSET VALUE TOTAL RETURN

13.3%

from 389.6p - 430.2p

**55** private  
equity  
funds  
with a portfolio value of  
**£574.7  
million**

**Realised  
£127.9  
million**  
through exits from  
the portfolio

#### DISCOUNT

7.4%

from 12.3% - 19.7%

#### DIVIDEND

6.0p 6.2p  
3.1p

2017 2018

12.4p proposed  
full year dividend, 3.6% yield<sup>1</sup>

**Committed  
£117.0  
million**  
to five private  
equity funds

**Invested  
£89.7  
million**  
into new private  
companies

**Net assets**

**£661.4  
million**

**Purchased  
£21.9  
million**  
through two secondary  
transactions

**Resources  
available for  
investment  
£86.5  
million**

		Annualised		
Total return <sup>2</sup>	6 months %	1 year %	5 years %	Since inception % <sup>4</sup>
SLPET NAV	11.6%	13.3%	14.4%	10.1%
SLPET share price	+8.3%	+5.8%	+15.3%	+9.1%
FTSE All-Share Index <sup>3</sup>	+8.3%	+5.9%	+7.5%	+5.8%
MSCI Europe Index (£) <sup>3</sup>	+7.5%	+3.2%	+8.9%	+6.1%
LPX Europe Index (£) <sup>3</sup>	+8.4%	+7.5%	+15.8%	+7.2%

<sup>1</sup> Based on the 30 September 2018 share price of 345.5p. The 2017 final dividend of 6.0p was paid in January 2018. In 2018, a third quarterly dividend of 3.1p was paid in October 2018, and a final quarterly dividend of 3.1p is payable in January 2019.

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

<sup>3</sup> As further explained in the Glossary, the Company uses a number of indices as comparator benchmarks for the Company's performance.

<sup>4</sup> The Company was listed on the London Stock Exchange in May 2001.



# Strategic Report

## Report of the Manager

### Investment Activity

#### **The Company's net assets were 430.2 pence per share**

The NAV per ordinary share rose 40.6 pence over the year from 389.6 pence to 430.2 pence. This increase in NAV during the period comprised 37.2 pence of net realised gains and income from the Company's portfolio of 55 private equity fund interests, 15.9 pence of unrealised gains on a constant exchange rate basis and 4.1 pence of positive exchange rate movements on the portfolio. This was partially offset by 4.4 pence of other items, fees and costs as well as 12.2 pence relating to dividends paid during the year.

**Movement in net asset value (pence per share)**  
**30 September 2017 and 30 September 2018**

#### **The Company invested £89.7 million into fund investments**

#### **£21.9 million was invested to acquire secondary purchases in two funds**

The Manager undertook two transactions via the secondary market, acquiring commitments in Onex Partners IV and Nordic Capital Fund VIII. Combined, these funds had outstanding commitments of £3.3 million at 30 September 2018. The Manager continues to be disciplined and highly selective in a competitively priced secondary market.

# Strategic Report

## Report of the Manager

### Investment Activity

**The Company received £127.9 million of distributions (including net income of £5.0 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.

**Average multiple on realised investments was 2.9 times invested cost**

In the year to 30 September 2018, 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.

<sup>1</sup> Excludes realised loss on written-off investments.

**Net unrealised gains from the portfolio of investments were £30.7 million**

The movement over the period represented an unrealised valuation gain on a constant currency basis of £24.5 million and a foreign exchange gain of £6.2 million. The unrealised gains and losses include the effect of transfers from the revaluation to the capital realised reserves when investments are realised.

# Strategic Report

## Report of the Manager

### Portfolio Review

#### Total outstanding commitments of £369.3 million to 55 private equity funds at 30 September 2018

The total new commitments of £127.4 million comprise new primary fund commitments of £117.0 million and commitments of £10.4 million acquired in secondary transactions, offset by fund drawdowns of £89.7 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

**£369.3 million**

Total new commitments

**£127.4 million**

Fund drawdowns

**£89.7 million**

Movement in outstanding commitments and drawdowns between 30 September 2017 and 30 September 2018

#### New commitments

Five new primary commitments of £117.0 million were made in the year to 30 September 2018. In addition, secondary investments in Nordic Capital Fund VIII and Onex Partners IV added £10.4 million to the total outstanding commitments during the period.

Primary fund commitments

**£117.0 million**

New commitments from secondary transactions

**£10.4 million**

#### Commitment details

Manager	Fund	Date	£m	\$/€m	Type	Fund Description
PAI Partners	PAI Europe VII	December 2017	26.4	€30.0	Primary	€5.0bn fund investing in buyouts in Western Europe.
Equistone Partners Europe	Equistone Partners Europe Fund VI	March 2018	26.7	€30.0	Primary	€2.8bn fund focuses on France, Germany, Switzerland and the UK.
Bridgepoint Capital	Bridgepoint Europe VI	March 2018	26.3	€30.0	Primary	€5.0bn fund focuses on middle market acquisitions in Europe.
Investindustrial SpA	Investindustrial Growth	April 2018	21.7	€25.0	Primary	€375m fund focuses on European investments in the lower-mid market.
MSouth Equity Partners	MSouth Equity Partners IV	May 2018	15.9	\$21.5	Primary	\$900m fund will invest in buyouts across a range of sectors within the US.
Nordic Capital <sup>1</sup>	Nordic Capital Fund VIII	January 2018	6.2	€7.0	Secondary	€3.6bn fund focuses on buyouts in the Nordic Region.
Onex Partners	Onex Partners IV	December 2017	4.2	\$5.7	Secondary	\$5.6bn fund focuses on large middle market and buyouts in North America.

<sup>1</sup> As disclosed in the interim financial statements, the initial commitment to Nordic Capital VIII was £4.7m. Above commitment figure includes £1.5m resulting from recycling of proceeds.

# Strategic Report

## Report of the Manager

### Portfolio Review

#### Outstanding commitments

#### Outstanding commitments

The outstanding commitments in excess of resources available for investment, including cash and the undrawn debt facility, as a percentage of the net asset value was 30.7%, at the lower end of the long-term target range of 30%-75%, highlighting the prudent approach to over-commitments adopted by the Manager in the current market environment.

#### Resources available for investment

Over the period, the portfolio generated cash inflows of £127.9 million from realised investments, partially offset by new investment activity of £89.7 million and secondary purchases of £21.9 million resulting in net investment inflows of £16.3 million. Including dividends paid and FX movements, resources available for investment were £86.5 million at 30 September 2018, down from £93.6 million at 30 September 2017.

#### Investment cash flows

#### Net investment cash flows

#### Portfolio construction

Investments in buyout funds through primary commitments and buyout funds acquired via secondary transactions represent 99% 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

## Report of the Manager

### Portfolio Review

#### **Geographic exposure of underlying investments**

83% of the underlying private companies at 30 September 2018 are headquartered in Europe and this will likely continue to be the majority of exposure over the short to medium term, with 14% headquartered in North America. The underlying private companies in Europe are weighted towards Northern Europe, with a focus on the Scandinavian, French, Benelux, UK and German markets. The underlying private companies have historically been deliberately underweight in Southern Europe due to the relative immaturity and underperformance of its private equity market compared to other European regions. However, the Manager will consider making commitments to Southern Europe going forward where attractive opportunities arise.

#### **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

## Report of the Manager

### 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 34% 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. 0.5% of the portfolio is exposed to the pre-2007 period and 6% 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 1.9 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 2.9 times cost for the year to 30 September 2018, the portfolio remains conservatively valued.

# Strategic Report

## Report of the Manager

### Portfolio Review

#### Primary investment market

The US and European private equity market remains very buoyant, with high levels of activity in fundraising, new investments and exits, an ongoing trend since the financial crisis of 2007-8. Many institutional investors have increased their allocations to private equity on the back of strong performance, and the expectation that this will continue relative to a more muted public market outlook. The high levels of investment activity, tied to increased private equity allocations, have resulted in many managers coming back to the fundraising market earlier and seeking to raise ever-larger funds.

In Europe and the US, Q3 2018 year-to-date ("YTD") buyout activity of \$109 billion and \$198 billion respectively represents increases of 32% and 28% over the same period in 2017. As such, buyout activity in Europe is at its highest since 2007, whereas the US post-2007 activity peaked in 2015 but remains elevated.

With respect to fundraising, the best small, mid and large cap managers are raising new funds rapidly (and being frequently oversubscribed), notwithstanding significant fund size increases in many cases. The excess of institutional private equity allocation means that many second-tier and new managers are also finding success in reaching fundraising targets. 2017 was a record year for buyout fundraising in Europe (\$74 billion) and the US (\$179 billion). However, Q3 2018 YTD European buyout fundraising of \$55 billion (a 43% decrease on the same period in 2017) and US buyout fundraising of \$83 billion (a 6% decrease), indicates that buyout fundraising may have peaked.

The high level of buyout fundraising globally since 2013, comfortably exceeding new investment activity over this period, has resulted in current record levels

of capital raised in Europe (\$192 billion) and the US (\$179 billion). The capital raised for European and US private equity now represents around 3.8 years and 4.4 years of investment capacity respectively, up from 3.0 years and 2.6 years at December 2012.

Valuations within the US have crept upwards in recent years, with the Q3 2018 YTD average of 10.2x now exceeding that of pre-recession levels. Increasing debt availability has contributed to higher valuations in the US – average debt of 5.8x EBITDA is now at its highest level since 2007. Valuations within the European buyout market of 9.5x-10.5x have also increased, and are now at similar levels as to that of the US. Debt availability has improved in Europe as well, albeit with average debt multiples marginally lower than that being seen in the US. Notwithstanding the higher debt levels, funding structures remain relatively conservative with 'covenant-lite' terms being a common feature of new debt issuance, providing a degree of comfort for equity investors in the event of a downturn.

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 businesses and a substantial number of corporates looking to divest non-core divisions, 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.

# Strategic Report

## Report of the Manager

### Portfolio Review

#### Secondary transaction market<sup>1</sup>

The first half of 2018 set another record for the secondary market in terms of deals transacted within a six month period, with \$27 billion of transactions completed. This was 23% ahead of the same period in 2017. The strong momentum in deal activity has continued into the second half of the year and is expected to result in volumes for the full year exceeding the record level achieved last year.

The drivers behind this market growth continue to be a combination of strong pricing and innovation, which have unlocked an increasing number of larger transactions. 11 transactions over \$500 million in the first half of 2018 accounted for over 40% of the overall deal volume. While average pricing in secondary transactions in the first half of 2018 was flat relative to last year at around 93% of NAV, this remains at a historically high level and masks the fact that there is a wide range of quality and maturity of funds being traded. On the one hand, sellers (including fund of fund managers and secondary firms) are taking advantage of market conditions to offload older or poorer quality funds in order to wind up individual investment programmes and return cash to investors. These types of interests typically trade at wider discounts to NAV. On the other hand, the better known or better quality funds, which are typically the ones targeted by the Company, often trade at material premia to NAV and so require the buyer to hold the investment below cost for a period of time.

On the innovation side, GP-led transactions have grown in size and number, and a wide range of managers have used the secondary market to offer liquidity to investors in existing portfolios, often combined with securing fresh capital from the buyers of the secondary assets. These types of GP-led transactions are being adopted more widely across size segments and asset classes within the private markets space.

Another key factor behind the market growth trend has been the ability of secondary buyers to raise capital, both through their own fund-raising efforts and with the availability of more leverage. With four of the largest secondary managers actively raising capital in 2018, it is estimated that over \$120 billion will be available to invest in secondary transactions over the near term. Pressure to deploy capital and competition for deals, particularly at the larger end of the market, have anecdotally pushed buyers into underwriting deals at ever lower returns. Buyers then compensate for these lower returns by using leverage to boost performance for their investors.

While the Company has continued to acquire high quality private equity funds in the secondary market over the course of the last year, 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.

<sup>1</sup> Source: market data sourced from Greenhill (July 2018).



# Strategic Report

## Report of the Manager

### Portfolio Review

#### Management of resources available for investment

The cash and cash equivalents balances held by the Company are presently invested 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. The Company's listed equity investments are shown on page 29.

#### Fund valuations

The valuation of the Company's private equity fund interests at the year-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 29 and more details of the largest 10 funds can be found on pages 25 and 26.

Of the 55 private equity funds in which the Company is invested, 35 funds, or 90.9% of the portfolio by value, were valued by their fund managers at 30 September 2018. The Manager continues to believe that the use of such timely valuation information is important. For 13 funds, or 8.7% of the portfolio by value, the last available valuations from the fund managers at 30 June 2018 were adjusted for any subsequent cash flows occurring between that date and 30 September 2018. 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 depreciated against both the euro and US dollar, by 1.1% and 2.8% respectively. This had a positive impact on the Company's NAV. The sterling/euro exchange rate at 30 September 2018 was £1/€1.227 and the sterling/dollar exchange rate was £1/\$1.3041. The combined effect of foreign exchange movements on the valuation of the portfolio over the year was a 4.1 pence, or 1.0% 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 2018, the Company was invested in 55 different private equity funds, which collectively had interests in 403 separate companies and 78 other private equity funds.

Details of the largest ten underlying private companies can be found on pages 27 and 28 and further information on the largest 30 underlying private companies can be found on page 30.

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 Funds at 30 September 2018

**1**  
**6.9%**  
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](http://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	30/9/18	30/9/17
Value (£'000)	45,610	27,180
Cost (£'000)	35,206	15,411
Commitment (€'000)	45,200	30,000
Amount Funded	82.7%	64.3%
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](http://www.ikinest.com)

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

IK VII	30/9/18	30/9/17
Value (£'000)	37,887	33,864
Cost (£'000)	20,705	24,354
Commitment (€'000)	36,000	36,000
Amount Funded	95.2%	95.2%
Income (£'000)	113	142

**3**  
**5.7%**  
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](http://www.3i.com)

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

3i Eurofund V	30/9/18	30/9/17
Value (£'000)	37,545	51,011
Cost (£'000)	10,049	16,056
Commitment (€'000)	60,000	60,000
Amount Funded	96.7%	96.3%
Income (£'000)	-	-

**4**  
**4.8%**  
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)

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

Exponent Private Equity Partners III	30/9/18	30/9/17
Value (£'000)	31,642	22,821
Cost (£'000)	25,700	21,128
Commitment (£'000)	28,000	28,000
Amount Funded	91.7%	75.4%
Income (£'000)	15	63

**5**  
**4.6%**  
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](http://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	30/9/18	30/9/17
Value (£'000)	30,208	31,384
Cost (£'000)	18,735	21,588
Commitment (€'000)	30,000	30,000
Amount Funded	83.8%	83.8%
Income (£'000)	-	-

# Strategic Report

## Largest 10 Funds at 30 September 2018

**6**  
**4.4%**  
of NAV

**Fund Size:** €13bn  
**Strategy:** Mid-market buyouts  
**Enterprise Value of investments:** \$200million–\$3 bn  
**Geography:** Global with a focus on Europe and North America  
**Offices:** Sao Paulo, Bagota, Paris, Frankfurt, Hong Kong, Shanghai, Mumbai, Luxembourg, Mexico City, Lima, Madrid, London, Boston and New York.  
**Website:** [www.adventinternational.com](http://www.adventinternational.com)

**7**  
**4.3%**  
of NAV

**Fund Size:** €2.1bn  
**Strategy:** Nordic Middle Market  
**Enterprise Value of investments:** €50–€500 million  
**Geography:** Northern Europe  
**Offices:** Stockholm  
**Website:** [www.altor.com](http://www.altor.com)

**8**  
**4.2%**  
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](http://www.bcpartners.com)

**9**  
**4.0%**  
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)

**10**  
**3.8%**  
of NAV

**Fund Size:** €4.0bn  
**Strategy:** Middle market and buyouts  
**Enterprise Value of investments:** €200 million–€1 bn  
**Geography:** Europe  
**Offices:** Amsterdam, Frankfurt, Istanbul, London, Luxembourg, Madrid, New York, Paris, San Francisco, Shanghai, Stockholm, Warsaw  
**Website:** [www.bridgepoint.eu](http://www.bridgepoint.eu)

**Invests in attractive niches within business & financial services, healthcare, industrial, retail and technology sectors**

<b>Advent International GPE VIII</b>	<b>30/9/18</b>	<b>30/9/17</b>
Value (£'000)	29,391	17,408
Cost (£'000)	25,718	17,785
Commitment (€'000)	45,000	45,000
Amount Funded	64.9%	45.2%
Income (£'000)	-	-

**Focuses on investing in and developing medium-sized companies with a Nordic origin that offer potential for value creation through revenue growth, margin expansion, improved capital management and strategic re-positioning**

<b>Altor Fund IV</b>	<b>30/9/18</b>	<b>30/9/17</b>
Value (£'000)	28,700	18,675
Cost (£'000)	21,579	14,747
Commitment (€'000)	55,000	55,000
Amount Funded	46.8%	32.8%
Income (£'000)	-	-

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

<b>BC European Capital IX</b>	<b>30/9/18</b>	<b>30/9/17</b>
Value (£'000)	27,846	28,582
Cost (£'000)	20,440	20,547
Commitment (€'000)	35,000	35,000
Amount Funded	100.0%	99.5%
Income (£'000)	9	604

**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>30/9/18</b>	<b>30/9/17</b>
Value (£'000)	26,583	21,222
Cost (£'000)	21,031	16,706
Commitment (€'000)	30,000	30,000
Amount Funded	85.4%	69.1%
Income (£'000)	-	-

**A leading middle-market focused private equity firm targeting buyout investments in European companies with strong market positions and earnings growth potential across six core sectors**

<b>Bridgepoint Europe V</b>	<b>30/9/18</b>	<b>30/9/17</b>
Value (£'000)	25,444	16,749
Cost (£'000)	21,672	15,633
Commitment (€'000)	35,000	35,000
Amount Funded	77.4%	57.9%
Income (£'000)	-	1,555

# Strategic Report

## Report of the Manager

Largest 10 Underlying Private Companies<sup>1</sup> at 30 September 2018

**1**  
**5.4%**  
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 45,000 employees. The business generates sales of over €3bn per annum.

**2**  
**1.3%**  
of NAV

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

Anicura is a European family of animal hospitals and clinics, focussed on quality and service. It works to improve medical quality. Anicura's patient safety standard is renowned within the industry. Anicura has 200 animal hospitals and clinics, present in seven countries.

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

**Sector:** Industrials  
**Location:** Denmark  
**Year of Investment:** 2015  
**Private Equity Fund Manager:** Altor Partners  
**Fund Investment:** Altor Fund IV  
**Company Website:** [www.noricangroup.com](http://www.noricangroup.com)

Norican is a leading global provider of a broad equipment and services portfolio to the metallic parts formation and preparation industries. The company has a diversified customer base spanning more than 10,000 active customers in almost 100 countries in 30 end-markets. The company develops innovative and cost-efficient solutions that fit customers individual needs from a global footprint.

**4**  
**1.0%**  
of NAV

**Sector:** Industrials  
**Location:** Germany  
**Year of Investment:** 2014  
**Private Equity Fund Manager:** IK Investment Partners  
**Fund Investment:** IK VII  
**Company Website:** [www.transnorm.com](http://www.transnorm.com)

Headquartered in Harsum, Germany, Transnorm<sup>2</sup> is a global market leader for high performance conveying modules and components that are used in diverse end markets such as the parcel, distribution, e-commerce and airports industries.

**5**  
**1.0%**  
of NAV

**Sector:** Healthcare  
**Location:** France  
**Year of Investment:** 2014  
**Private Equity Fund Manager:** Montagu  
**Fund Investment:** Montagu IV  
**Company Website:** [www.nemera.net](http://www.nemera.net)

Nemera<sup>3</sup>, headquartered in La Verpillière (France), is a leading European manufacturer of plastic drug administration systems for the pharmaceutical industry. It designs, produces and sells a broad range of complex medical devices including inhalers, insulin pens and pumps. The company has developed rapidly, driven by continued focus on research and development, innovation and manufacturing excellence. In addition, targeted acquisitions expanded its geographical reach and product portfolio.

# Strategic Report

## Report of the Manager

Largest 10 Underlying Private Companies at 30 September 2018

**6**  
**0.9%**  
of NAV

**Sector:** Healthcare  
**Location:** USA  
**Year of Investment:** 2016  
**Private Equity Fund Manager:** Towerbrook Investors  
**Fund Investment:** TowerBrook Investors IV  
**Company Website:** [www.r1rcm.com](http://www.r1rcm.com)

R1 RCM, headquartered in Chicago, Illinois, provides outsourced revenue cycle management services that help healthcare providers to more efficiently and cost effectively manage their revenue cycles through people, processes and integrated technology and analytics solutions. The Company offers a fully outsourced end-to-end-technology enabled solution, which spans the entire revenue cycle from patient registration to collection from patients and third-party payors.

**7**  
**0.8%**  
of NAV

**Sector:** Industrials  
**Location:** Healthcare  
**Year of Investment:** 2016  
**Private Equity Fund Manager:** Nordic Capital  
**Fund Investment:** Nordic Capital Fund VIII  
**Company Website:** [www.ert.com](http://www.ert.com)

ERT is a global data and technology company that minimises risk and uncertainty in clinical trials. With nearly 50 years of combined clinical, therapeutic and regulatory experience as well as technology and process-related insights, it has supported more than 13,000 clinical studies to date.

**8**  
**0.8%**  
of NAV

**Sector:** Consumer goods  
**Location:** France  
**Year of Investment:** 2015  
**Private Equity Fund Manager:** IK Investment Partners  
**Fund Investment:** IK VII  
**Company Website:** [www.cerelia.com](http://www.cerelia.com)

Cérélia is a leading manufacturer of ready to-use dough. The group has a wide product range, selling its products both through private labels and its own brands. The company has production plants in Europe and North America and maintains long-term relationships with its customers.

**9**  
**0.8%**  
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 13 countries in Europe, providing a range of products and service. In June 2017, the combination of Lindorff and Intrum Justita was completed. The combination of Intrum Justitia and Lindorff created a leading provider of credit management services with local presence in 23 markets across Europe and a team of around 8,000 employees that are committed to promote a sound economy.

**10**  
**0.8%**  
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.

<sup>1</sup> The % of NAV figures shown above are based on gross valuations, before any carry provision. In the exceptional case of Action, due to the significant outperformance of the company, the Manager has estimated Action's value as a % of NAV, net of carry provision.

<sup>2</sup> Subsequent to the year-end, IK Investment Partners agreed to sell Transnorm to Honeywell International.

<sup>3</sup> Subsequent to the year-end, Montagu agreed to sell Nemera to Astorg.

<sup>4</sup> The underlying private companies above are held through the Company's fund investments.

# Strategic Report

## Report of the Manager

### Fund Investments

at 30 September 2018

Vintage	Fund	Type	Number of Investments	Valuation date <sup>1</sup>	Outstanding commitments £'000	Cost £'000	Valuation £'000	Net multiple <sup>2</sup> GBP (X)	% of NAV
2013	Nordic Capital Fund VIII	Buy-out	17	30/09/18	6,971	35,206	45,610	1.4x	6.9
2012	IK VII	Buy-out	13	30/09/18	1,526	20,705	37,887	1.8x	5.7
2006	3i Eurofund V	Buy-out	4	30/09/18	1,781	10,049	37,545	2.7x	5.7
2015	Exponent Private Equity Partners III	Buy-out	12	30/09/18	2,313	25,700	31,642	1.2x	4.8
2014	Permira V	Buy-out	18	30/09/18	4,338	18,735	30,208	1.9x	4.6
2016	Advent International GPE VIII	Buy-out	24	30/09/18	14,068	25,718	29,391	1.1x	4.4
2014	Altor Fund IV	Buy-out	18	30/09/18	26,058	21,579	28,700	1.3x	4.3
2011	BC European Capital IX	Buy-out	17	30/09/18	-	20,440	27,846	N/D	4.2
2015	Equistone Partners Europe Fund V	Buy-out	23	30/09/18	3,894	21,031	26,583	1.3x	4.0
2015	Bridgepoint Europe V	Buy-out	14	30/06/18	7,040	21,672	25,444	1.2x	3.8
2014	PAI Europe VI	Buy-out	15	30/09/18	5,923	21,320	24,407	1.3x	3.7
2014	CVC Capital Partners VI	Buy-out	29	30/09/18	3,474	17,776	22,923	1.3x	3.5
2012	Advent Global Private Equity VII	Buy-out	26	30/09/18	1,247	10,594	20,745	2.2x	3.2
2016	IK VIII	Buy-out	11	30/09/18	12,294	17,848	20,142	1.1x	3.0
2013	TowerBrook Investors IV	Buy-out	12	30/09/18	12,050	12,650	18,948	1.6x	2.9
2011	Montagu IV	Buy-out	8	30/09/18	2,148	9,872	17,672	1.9x	2.7
2008	Nordic Capital Fund VII	Buy-out	12	30/09/18	4,489	23,293	17,138	1.3x	2.6
2011	Equistone Partners Europe Fund IV	Buy-out	13	30/09/18	912	12,476	14,376	2.1x	2.2
2017	Onex Partners IV LP	Buy-out	11	30/09/18	1,003	14,275	14,002	1.0x	2.1
2008	CVC European Equity Partners V	Buy-out	13	30/09/18	444	7,431	12,955	2.3x	2.0
2016	Astorg VI	Buy-out	7	30/06/18	10,234	9,930	11,132	1.1x	1.7
2016	Sixth Cinven Fund	Buy-out	10	30/09/18	15,200	9,812	9,475	1.0x	1.4
2008	TowerBrook Investors III	Buy-out	6	30/09/18	11,625	15,336	7,347	1.1x	1.1
2008	Advent Global Private Equity VI	Buy-out	12	30/09/18	-	10,431	7,261	1.9x	1.1
2006	Terra Firma Capital Partners III	Buy-out	6	30/09/18	120	21,352	6,306	0.6x	1.0
2018	Investindustrial Growth	Buy-out	3	30/09/18	16,674	5,610	5,295	0.9x	0.8
2012	Bridgepoint Europe IV	Buy-out	12	30/06/18	915	4,649	4,366	1.5x	0.7
2006	Collier International Partners V	Secondary	28	30/06/18	6,687	-	3,459	1.7x	0.5
2005	Pomona Capital VI Fund	Secondary	24	30/06/18	2,093	5,871	2,273	1.6x	0.3
2000	CVC European Equity Partners III	Buy-out	1	30/06/18	318	4,283	1,920	2.7x	0.3
2009	Charterhouse Capital Partners IX	Buy-out	5	30/09/18	473	3,110	1,765	1.4x	0.3
2006	TowerBrook Investors II	Buy-out	3	30/09/18	4,120	1,639	1,624	2.1x	0.2
2005	Advent Global Private Equity V	Buy-out	2	30/09/18	1,052	-	1,396	2.8x	0.2
2006	HgCapital 5	Buy-out	2	30/06/18	213	6,588	1,308	1.7x	0.2
2006	Permira IV	Buy-out	5	30/09/18	139	2,456	1,190	1.3x	0.2
2001	Scottish Equity Partners II	Venture capital	1	30/06/18	-	3,159	942	0.9x	0.1
2007	Equistone Partners Europe Fund III	Buy-out	2	30/09/18	1,453	6,909	708	1.7x	0.1
2007	Industri Kapital 2007	Buy-out	2	30/09/18	1,546	6,292	648	1.4x	0.1
2017	Nordic Capital Fund IX	Buy-out	5	30/09/18	26,721	16	631	40.5x	0.1
2001	Pomona Capital V Fund	Secondary	26	30/06/18	130	5,467	427	1.4x	0.1
2017	CVC Capital Partners VII	Buy-out	3	30/06/18	31,174	13	391	31.0x	0.1
2018	Equistone Partners Europe Fund VI	Buy-out	4	30/09/18	26,400	330	217	0.7x	-
2002	Third Cinven Fund	Buy-out	-	31/12/17	258	4,339	169	2.1x	-
2005	Equistone Partners Europe Fund II	Buy-out	1	30/09/18	139	2,679	100	1.7x	-
2007	CVC Tandem Fund	Buy-out	2	30/06/18	581	1,583	76	1.6x	-
2004	Industri Kapital 2004	Buy-out	-	30/09/17	15	-	38	2.4x	-
2007	Fourth Cinven Fund	Buy-out	2	30/06/18	2,941	5,380	26	1.6x	-
2004	Permira Europe III	Buy-out	1	30/06/18	-	209	22	1.2x	-
2005	CVC European Equity Partners IV	Buy-out	1	30/06/18	1,832	3,794	13	2.4x	-
2018	HgCapital 8	Buy-out	4	30/06/18	21,615	398	-	0.0x	-
2005	Candover 2005 Fund	Buy-out	2	30/09/18	-	-	-	0.5x	-
2002	Charterhouse Capital Partners VII	Buy-out	-	30/09/18	2,705	5,751	-	1.9x	-
2018	MSouth Equity Partners IV	Buy-out	-	30/09/18	16,487	3	-	0.0x	-
2018	PAI Europe VII	Buy-out	-	30/09/18	26,721	14	-	0.0x	-
2018	Bridgepoint Europe VI	Buy-out	-	30/09/18	26,721	17	-	0.0x	-
<b>Total fund investments<sup>3</sup></b>			<b>492</b>		<b>369,275</b>	<b>515,790</b>	<b>574,689</b>		<b>86.9</b>
	Onex Corp			30/09/18		10,279	9,791		1.5
	Eurazeo			30/09/18		9,226	9,142		1.4
	Deutsche Beteiligungs			30/09/18		4,093	4,087		0.6
	NB Private Equity Partners			30/09/18		3,545	4,068		0.6
	Apax Global Alpha			30/09/18		1,903	1,932		0.3
<b>Total quoted securities</b>						<b>29,046</b>	<b>29,020</b>		<b>4.4</b>
<b>Non-portfolio assets less liabilities</b>							<b>57,654</b>		<b>8.7</b>
<b>Total shareholders' funds</b>							<b>661,363</b>		<b>100.0</b>

<sup>1</sup> valuation date refers to the date of the last valuation prepared by the manager of the relevant fund. Quoted securities are valued in accordance with the Company's accounting policies.

<sup>2</sup> 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.

<sup>3</sup> the 492 underlying investments represent holdings in 403 separate companies and 78 other private equity funds.

# Strategic Report

## Report of the Manager

### Top 30 Underlying Private Company Investments

at 30 September 2018

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 <sup>1</sup>
Action	Non-food discount retailer	3i Eurofund V	2011	5.4%
AniCura	Chain of veterinary clinics	Nordic Capital Fund VIII	2014	1.3%
Norican	Metallic parts formation and preparation industry	Altor Fund IV	2015	1.2%
Transnorm	Warehouse automation technology	IK VII	2014	1.0%
Nemera	Plastic drug administration systems	Montagu IV	2014	1.0%
R1 RCM	Healthcare revenue cycle management	TowerBrook Investors IV	2016	0.9%
ERT	Data collection solutions for clinical trials	Nordic Capital Fund VIII	2016	0.8%
Cérélia	Manufacturer of ready to use dough	IK VII	2015	0.8%
Lindorff	Debt collection and accounting services	Nordic Capital Fund VIII	2014	0.8%
Handicare	Mobility solutions for disabled and elderly	Nordic Capital Fund VII	2010	0.8%
Informatica	Enterprise data integration	Permira V	2015	0.8%
Telecomputing	Centralised IT operations, outsourcing and systems integration	IK VII	2016	0.7%
InfoPro Digital	Business-to-business professional information services	TowerBrook Investors IV	2016	0.7%
Element	Materials testing	Bridgepoint Europe V	2016	0.7%
Not disclosed	Not disclosed	Advent Global Private Equity VI, Advent Global Private Equity VII, Advent International GPE VIII	2011	0.7%
Photobox	Online photo laboratory	Exponent Private Equity Partners III	2016	0.7%
Exxelia	Customised electronic components	IK VII	2014	0.7%
Not disclosed	Not disclosed	BC European Capital IX	2015	0.7%
Salad Signature	Private label food franchise	IK VII	2016	0.6%
B&B Hotels	Network chain of budget hotels	PAI Europe VI	2016	0.6%
Evergreen	Lawn and garden care	Exponent Private Equity Partners III	2017	0.6%
Teamviewer	Computer software	Permira V	2014	0.6%
CID Lines	Cleaning agents and disinfectants	IK VII	2016	0.6%
Binding Site	Clinical laboratory diagnostics	Nordic Capital Fund VII	2011	0.6%
Unifeeder	Logistics operator	Nordic Capital Fund VIII	2013	0.6%
Tilney Bestinvest	Independent investment advice	Permira V	2014	0.6%
Skandiabanken ASA	Internet bank	Altor Fund IV	2016	0.6%
GHD GesundHeits	Home care products and services	Nordic Capital Fund VIII	2014	0.6%
Big Bus Tours	Sightseeing bus tours	Exponent Private Equity Partners III	2015	0.6%
Alloheim	Private care homes	Nordic Capital Fund VIII	2018	0.6%

<sup>1</sup> The % of NAV figures shown above are based on gross valuations, before any carry provision. In the exceptional case of Action, due to the significant outperformance of the company, the Manager has estimated Action's value as a % of NAV, net of carry provision.

<sup>2</sup> The underlying private companies above are held through the Company's fund investments.

# Strategic Report

## Report of the Manager

### Financial Summary

Performance (total return<sup>1,2</sup>) since inception to 30 September 2018

Performance (capital only)	As at 30 September 2018	As at 30 September 2017	% Change
SLPET NAV	430.2p	389.6p	10.4
SLPET share price	345.5p	341.5p	1.2
FTSE All-Share Index <sup>3</sup>	4,127.9	4,049.9	1.9
MSCI Europe Index (£) <sup>3</sup>	3,145.8	3,154.4	(0.3)
LPX Europe Index (£) <sup>3</sup>	487.7	461.3	5.7
Discount (difference between share price and net asset value)	19.7%	12.3%	

Performance (total return) <sup>1</sup>	Annualised					
	6 months %	1 year %	3 years %	5 years %	10 years %	Since inception % <sup>4</sup>
SLPET NAV	+11.6	+13.3	+17.6	+14.4	+7.7	+10.1
SLPET share price	+8.3	+5.8	+21.3	+15.3	+10.0	+9.1
FTSE All-Share Index <sup>3</sup>	+8.3	+5.9	+11.5	+7.5	+9.1	+5.8
MSCI Europe Index (£) <sup>3</sup>	+7.5	+3.2	+13.9	+8.9	+8.8	+6.1
LPX Europe Index (£) <sup>3</sup>	+8.4	+7.5	+20.7	+15.8	+11.1	+7.2

Highs/lows for the year ended 30 September 2018	High	Low
Share price (mid)	352.0p	315.0p

<sup>1</sup> Includes dividends reinvested.

<sup>2</sup> Source: The Manager and Thomson Reuters Datastream.

<sup>3</sup> As further explained in the Glossary, the Company uses a number of indices as comparator benchmarks for the Company's performance.

<sup>4</sup> The Company was listed on the London Stock Exchange in May 2001.



# Strategic Report

## Report of the Manager

### 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 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)
At 30 September 2018	661.4	430.2	430.2	345.50	(19.7)

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 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>
Year to 30 September 2018	13.3	5.8	18.8	12.20	1.10

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 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
At 30 September 2018	39.5	63.6	48.4	76.3	85.2

<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.

# 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

<sup>1</sup> Edmond Warner is Chairman of the Management Engagement and Nominations Committees.

<sup>2</sup> Christina McComb is the SID.

<sup>3</sup> Calum Thomson is Chairman of the Audit Committee.

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 Limited. 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 Chairman of BlackRock Commodities Income Investment Trust plc and a Non-executive Director of Clarkson plc.

**Edmond Warner, OBE<sup>1</sup>**

Jonathon Bond was appointed on 15 June 2018. Jonathon has over 30 years' experience in the private equity industry with a particular focus on raising standards of governance and performance. He has extensive international and general management experience, having served on the board of several significant businesses. Jonathon is Senior Independent Director and member of the Audit and Risk, Remuneration and Nomination Committees of Jupiter Fund Management PLC, Executive Chairman of The Skagen Group, Chairman of Ruths Hotel, Director of Chalke Valley History Festivals Ltd and Director of The Farncombe Group.

**Jonathon Bond**

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 Director of Irish company Capital Flow Holdings DAC and Evedin Consulting Limited. Alan is also Chairman of the private equity owned Irish based logistics company known as GSLS.

**Alan Devine**

Christina McComb was appointed on 29 January 2013. Christina has over 25 years' experience of investing in growth companies, having spent much of her career at leading private equity firm 3i Group plc. She is currently Chair of financial mutual OneFamily and is Senior Independent Director of the British Business Bank, the government owned development bank supporting access to finance for UK SMEs. She is also Senior Independent Director of Big Society Capital, the UK's leading social investment fund and a Non-executive Director of Nexxon Ltd.

**Christina McComb, OBE<sup>2</sup>**

Diane Seymour-Williams was appointed on 7 June 2017. Diane is a Non-executive Director of Witan Pacific Investment Trust plc and Brooks Macdonald Group plc, where she also chairs the Remuneration Committee. She is also Non-executive Director of Calculus VCT PLC and a Director of Acorn Capital Advisers Limited. 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 and frontier 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 chartered accountant and was an audit partner with Deloitte LLP for over 21 years. Calum is a Non-executive Director and the Audit Committee chair of the Diverse Income Trust plc, the British Empire Trust plc and Barings Emerging Europe plc. He is also a Non-executive Director and Audit Committee chair of BLME Holdings Plc and the Adam Smith Advisory Group Ltd and Chairman of trustees of La Serenissima.

**Calum Thomson, FCA<sup>3</sup>**

# Governance

## Directors' Report

The directors present their report and the audited financial statements for Standard Life Private Equity Trust plc for the year ended 30 September 2018.

### 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 SC216638.

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

### Share capital

At 30 September 2018, and as at the signing date of this Annual Report, there were 153,746,294 ordinary shares of 0.2 pence in issue.

The Company's shares are listed on the Premium segment of the official list and traded on the main market of 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 dividends

Revenue available for dividends was £3,337,000, or 2.17 pence per ordinary share (30 September 2017: £12,284,000, or 7.99 pence per ordinary share). Additionally, the capital realised reserves standing in the Company's balance sheet total £464,101,000 (30.186 pence per ordinary share) (30 September 2017: £420,910,000, or 273.77 pence per ordinary share), as noted in note 14 of the financial statements. The directors recommend that a final quarterly dividend of 3.1 pence per ordinary share (30 September 2017: final dividend of 6.0 pence) be paid on 25 January 2019 to shareholders on the Company's share register at the close of business on 21 December 2018. The ex dividend date will be 20 December 2018. First, second and third quarterly dividends, each of 3.1 pence per ordinary share, were paid on 27 April 2018, 27 July 2018 and 26 October 2018 respectively (30 September 2017: interim dividend of 6.0 pence per ordinary share).

### Future developments

The Chairman's Statement on pages 3 to 4 describes the outlook for the Company.

### Directors

Details of the directors, all of whom are non-executive, can be found on page 34. In accordance with best practice, Alan Devine, Christina McComb, Diane Seymour-Williams and Calum Thomson will stand for re-election at the forthcoming

Annual General Meeting ("AGM"). This being the first AGM since his appointment to the Board, Jonathon Bond will stand for election. As announced, Ed Warner will retire from the Board on 31 December 2018 and Christina McComb will be appointed as Chair in his place.

The Board supports the candidature of the directors for the reasons described in the Corporate Governance section of this Annual Report on pages 43 to 45.

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 43 to 45, 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 7.

### Depository

The AIFMD requires the Manager to ensure a depository is appointed for each Authorised Investment Fund it manages and BNP Paribas Securities Services S.A. was appointed depository for the Company with effect from 1 July 2014. The depository'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 emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### Social, Environmental and Ethical Risks

As noted in the Company Details section on page 9, the Company has no direct social, community, employee or environmental responsibilities.

# Governance

## Directors' Report

### Significant shareholdings

The significant holdings in the Company's ordinary share capital at 30 September 2018 are shown below.

Substantial share interests <sup>1</sup>	No. of ordinary shares	%
Phoenix Group Holdings and Aberdeen Standard Investments <sup>2</sup>	86,626,314	56.34
Quilter Cheviot Investment Management	9,282,576	6.04
Oxfordshire County Council Pension Fund	4,658,684	3.03

As at 30 November 2018, (the latest date before publication of these accounts) the significant holdings were:

Substantial share interests <sup>1</sup>	No. of ordinary shares	%
Phoenix Group Holdings and Aberdeen Standard Investments <sup>2</sup>	86,626,314	56.34
Quilter Cheviot Investment Management	9,389,955	6.11
Oxfordshire County Council Pension Fund	4,658,684	3.03

<sup>1</sup> Source: Richard Davies Investor Relations ("RD:IR"). The Board has not been notified of any changes to these holdings as at the signing date of this Annual Report.

<sup>2</sup> The voting rights of these shares are retained by ASI.

### 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 the AIFMD, the Company appointed SL Capital Partners LLP as its Alternative Investment Fund Manager ("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.

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 two "key executives" remain engaged by any member of the Manager's group. The key executives are currently Alan Gauld, Patrick Knechtli and Merrick McKay. 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.

#### Relationship agreement with Standard Life Assurance Limited

By a letter dated 31 August 2018, Standard Life Assurance Limited ("SLAL", which is now 100% owned by Phoenix Group Holdings) has irrevocably undertaken to the Company that, at any time when SLAL and its Associates (meaning any company which is a member of the SLAL 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 SLAL and its Associates, enter into any transaction or arrangement with the Company which is not conducted at arm's length and on normal commercial terms, take any action that would have the effect of preventing the Company from carrying on an independent business as its main activity or from complying with its obligations under the Listing Rules or propose or procure the proposal of any shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

# Governance

## Directors' Report

### 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 quarterly 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 (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 Tuesday, 22 January 2019, and related notes may be found on pages 72 to 75 of this Annual Report. Among the resolutions being put to the Annual General Meeting, the following will be proposed:

# Governance

## Directors' Report

### Directors' Fees

At the September 2018 Board Meeting, the Board carried out a review of the level of directors' fees. The resulting increases, which took effect from 1 October 2018, are detailed in the Directors' Remuneration Report on page 40.

As a result of these increases in fees, and in order to ensure that the Board has ongoing flexibility to be able to appoint additional directors, Resolution 11, an ordinary resolution, will be put to shareholders at the 2019 AGM seeking approval to increase to £350,000, the maximum aggregate limit of remuneration of the directors each year in respect of their ordinary services as directors.

### Section 551 Authority to Allot Shares

Resolution 12, which is an ordinary resolution, will, if approved, give the directors a general authority to allot new securities up to an aggregate nominal amount of £102,395 (equating to approximately 33.3% of the Company's issued share capital as at the date of this Annual Report (excluding treasury shares)). Such authority will expire on 31 March 2020 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting). As at the date of this Annual Report, the Company does not hold any ordinary shares in treasury.

### Limited Disapplication of Pre-emption Provisions

Resolution 13, which is a special resolution, seeks to give the directors power, conditional on Resolution 12 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 amount of £15,374 (representing approximately 5% of the Company's issued share capital as at the date of this Annual Report).

This authority will expire on 31 March 2020 or, if earlier, at the conclusion of the next AGM 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 25 January 2018. Resolution 14, 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 as at the date of this Annual Report). 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 2020 or, if earlier, at the conclusion of the next AGM of the Company (unless previously revoked, varied or extended by the Company in general meeting).

### Proposed amendments to the investment objective and policy

As noted in the Chairman's Statement, the Board have recently undertaken a review of the Company's investment objective and policy. The Board has concluded following that review that the Manager should have increased flexibility to make direct investments into private companies alongside private equity managers. The Board is therefore proposing that the Company's investment objective and policy are amended to reflect this and certain associated minor amendments. The amendments are subject to the approval of shareholders at the Annual General Meeting. Accordingly, subject to the approval of Resolution 15, which will be proposed as an ordinary resolution, the Company's investment objective and policy will be amended as follows:

#### Investment Objective

The investment objective is to achieve long-term total returns through holding a diversified portfolio of private equity funds and direct investments into private companies alongside private equity managers ("co-investments"), 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 50 "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 may also invest up to 20% of its total assets in co-investments.

# Governance

## Directors' Report

The Company may also hold direct private equity investments or quoted securities as a result of distributions in specie from its portfolio of investments. The Company's policy is normally to dispose of such assets where they are held on an unrestricted basis. This is in addition to the 20% that can be held in co-investments.

To maximise the proportion of invested assets it is the Company's policy to follow an over-commitment strategy by making fund commitments which exceed its uninvested capital. In making such commitments, the Manager, together with the Board, will take into account the uninvested capital, the quantum and timing of expected and projected cashflows to and from the portfolio and, from time to time, may use borrowings to meet draw downs. The Company's maximum borrowing capacity, defined in its articles of association, 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. However, it is expected that borrowings would not normally exceed 30% of the Company's net assets at the time of drawdown.

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

The investment limits described above are all measured at the time of investment.

### 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 Assurance Limited, further details of which are set out on page 36 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 AGM as set out in the Notice of Annual General Meeting on pages 72 to 75 are in the best interests of the Company and the shareholders as a whole. Your Board will be voting in favour of the resolutions in respect of their entire beneficial holdings of ordinary shares which amount, in aggregate, to 95,068 ordinary shares (representing approximately 0.06% of the ordinary shares currently in issue) and unanimously recommends that you do so as well.

### By order of the Board

**Maven Capital Partners UK LLP**  
**Company Secretary**

**11 December 2018**

MAVEN CAPITAL PARTNERS UK LLP,  
SECRETARY

*Mudatry*

AUTHORISED SIGNATORY



# Governance

## Directors' Remuneration Report

### Introduction

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. 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 50 to 54.

At 30 September 2018, the Company had six 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 2018 are shown in the table below. Since the year-end, Alan Devine acquired a further 51 shares as a result of the Company's Dividend Reinvestment Plan ("DRIP").

Directors and their shareholdings in the Company (audited)	Ordinary shares held as at 30 September	
	2018	2017
Edmond Warner	25,000	25,000
Jonathon Bond	11,870	-
Alan Devine	5,811	5,613
Christina McComb	7,136	4,386
Diane Seymour-Williams	31,500	31,500
Calum Thomson	13,700	-

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

### 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 a Shareholder vote at the AGM to be held 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	Votes Withheld
99.99%	0.01%	5,708

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.

At the December 2017 Board Meeting, the Board discussed the payment to directors of expenses incurred in attending Board Meetings. It was agreed that the Company should no longer re-imburse the directors for expenses incurred attending Board Meetings. To reflect this change it was agreed that the directors' fees be increased from £53,000 to £59,000 per annum for the Chairman, £38,000 to £43,000 per annum for the SID and Chairman of the Audit Committee and £34,000 to £39,000 per annum for each other Director. This increase took effect from 1 October 2017.

As referred to on page 38 of the Directors' Report, at the September 2018 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 £59,000 to £61,000 per annum for the Chairman, £43,000 to £45,000 per annum for the SID and Chairman of the Audit Committee and £39,000 to £41,000 per annum for each other director. This increase took effect from 1 October 2018 and will be reviewed again in 2019.

As a result of these increases in fees, and in order to ensure that the Board has ongoing flexibility to be able to appoint additional directors, an ordinary resolution will be put to shareholders at the 2019 AGM seeking approval to increase to £350,000 the maximum aggregate limit of remuneration of the directors each year in respect of their ordinary services as directors.

### 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 AGM 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 2018 and 30 September 2017 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 2018 Fees	Year to 30 September 2018 Expenses <sup>1</sup>	Year to 30 September 2018 Total	Year to 30 September 2017 Fees	Year to 30 September 2017 Expenses <sup>1</sup>	Year to 30 September 2017 Total
Ed Warner	59,000	-	59,000	51,000	2,803	53,803
Alastair Barbour <sup>2</sup>	10,760	-	10,760	36,000	1,960	37,960
Jonathon Bond <sup>3</sup>	10,818	-	10,818	-	-	-
Alan Devine	39,000	-	39,000	32,000	2,787	34,787
Christina McComb	43,000	-	43,000	36,000	4,676	40,676
Diane Seymour-Williams <sup>4</sup>	39,000	-	39,000	9,578	808	10,386
Calum Thomson <sup>5</sup>	35,650	-	35,650	-	-	-
David Warnock <sup>6</sup>	-	-	-	21,873	2,904	24,777
<b>Total</b>	<b>237,228</b>	<b>-</b>	<b>237,228</b>	<b>186,451</b>	<b>15,938</b>	<b>202,389</b>

<sup>1</sup> During the year to 30 September 2017, travel and related expenses were incurred by the directors to attend the Company's meetings in Edinburgh and London. As referred to above, in the year to 30 September 2018, the directors' fees were increased to reflect the Company no longer paying for travel and related expenses incurred by the directors to attend the Company's meetings.

<sup>2</sup> Alastair Barbour retired from the Board on 29 December 2017.

<sup>3</sup> Jonathon Bond was appointed to the Board on 15 June 2018.

<sup>4</sup> Diane Seymour-Williams was appointed to the Board on 7 June 2017.

<sup>5</sup> Calum Thomson was appointed to the Board on 30 November 2017.

<sup>6</sup> David Warnock retired from the Board on 7 June 2017.

### Total shareholder return

The graph below represents, for the period from 30 September 2008 to 30 September 2018, 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.

### Total cumulative ordinary shareholder return for the ten years to 30 September 2018

# Governance

## Directors' Remuneration Report

To enable shareholders to assess the relative importance of spend on directors' remuneration, the chart below shows for the years ended 30 September 2017 and 30 September 2018, the cost of directors' fees compared with the level of dividend distribution.

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

At the AGM held in January 2018 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	Votes Withheld
99.99%	0.01%	7,375

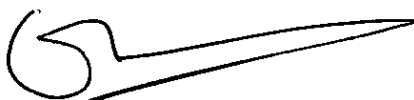
### Annual Statement

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

**11 December 2018**



# 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 Code") published in April 2016, and which is available on the Financial Reporting Council's ("FRC") 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 Code and, where appropriate, with the principles of the AIC Code on Corporate Governance, which can be found on the AIC's website at [www.theaic.co.uk](http://www.theaic.co.uk). In July 2018, the FRC issued a revised version of the Code, which takes effect in respect of financial years commencing after 1 January 2019. The Board are considering the future implications of the new Code. The AIC is currently revising the AIC Code on Corporate Governance and it is expected that a revised AIC Code will be published in December 2018, with an application date for accounting periods on or after 1 January 2019, the same as the revised Code.

The Board believes that the Company has complied throughout the year ended 30 September 2018 with the provisions of the 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; and (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 six non-executive directors, one of whom is Chairman. All of the directors are independent of the Manager and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The terms and conditions of appointment of the directors are available at the Company's registered office.

The directors have the requisite business and financial experience to enable the Board to provide strategic leadership and proper governance to the Company. The 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]	3[3]	1[1]	4[4]
Jonathon Bond <sup>1</sup>	1[1]	1[1]	1[1]	1[1]
Alan Devine	5[5]	3[3]	1[1]	4[4]
Christina McComb	5[5]	3[3]	1[1]	4[4]
Diane Seymour-Williams	5[5]	3[3]	1[1]	4[4]
Calum Thomson <sup>2</sup>	5[5]	3[3]	1[1]	3[3]

<sup>1</sup> Jonathon Bond was appointed on 15 June 2018.

<sup>2</sup> Calum Thomson was appointed on 30 November 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 Calum Thomson. A full report of the Audit Committee can be found on pages 46 to 47.

### Internal Control and Risk Management

The respective responsibilities of the directors and the Independent Auditor in connection with the financial statements appear on pages 48 and 50 to 54 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.

# Governance

## Statement of Corporate Governance

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 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 2018 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. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing directors. The Board therefore does not consider it appropriate to set diversity targets or apply a diversity policy.

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 AGM 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 independent search consultancy, Comforth Consulting, was appointed to assist in the search for a new director. This company has no other relationship with the Company or with any of the directors. The search was successful and Mr Jonathon Bond was appointed to the Board on 15 June 2018.

Mr Devine, Ms McComb, Ms Seymour-Williams and Mr Thomson will be seeking re-election at the Company's AGM in January 2019 while Mr Bond will be seeking election, this being the first AGM since his appointment to the Board. As announced, Mr Warner will retire from the Board on 31 December 2018 and will not stand for re-election. 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 40 to 42.

### 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 (other than Mr Bond who was appointed later in the year and whose performance will be evaluated in 2019). 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 2018. Overall, the performance of the Board, collectively and individually, continues to be judged as fully satisfactory.

# Governance

## Statement of Corporate Governance

### 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.

### 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 AGM 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 continues to believe that the single management 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 resources available for investment 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) are signatories to the United Nations Principles for Responsible Investing. As a subsidiary of Standard Life Investments Limited, 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 2018.

### By order of the Board

Maven Capital Partners UK LLP  
Company Secretary

11 December 2018

MAVEN CAPITAL PARTNERS UK LLP,  
SECRETARY



AUTHORISED SIGNATORY

# Governance

## Report of the Audit Committee

The Audit Committee met three times during the year. In June it met to consider the Half Year Report for the period to 31 March 2018 and recommended its approval to the Board. At the same meeting the external auditors appointed at that time, KPMG LLP (“KPMG”), presented their plan for the external audit of the annual financial statements. During the period before the next formal meeting, a committee of the Audit Committee met several times to oversee and administer the re-tendering of the external audit. At the September meeting the newly appointed external auditors, BDO LLP (“BDO”), presented their plan for the external audit of the annual financial statements and this was discussed and challenged. In December, the Committee met to review the annual financial statements and to review the third party service providers controls reports including those issued by the Manager, Administrator, Custodian and Depository. At the same meeting the findings of the external auditor on their review of the year-end financial statements were considered.

### Role of the Audit Committee

The main responsibilities of the Audit Committee include:

- ▶ monitoring the integrity of the Company's *financial statements and appropriateness of its accounting policies*;
- ▶ monitoring the effectiveness of the systems of internal controls (including financial, operational and compliance controls and risk management) on which the Company is reliant;
- ▶ 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.

The Audit Committee's terms of reference, which are available on the Company's website, are reviewed on an annual basis.

### Composition of the Audit Committee

The Audit Committee comprises the whole Board, being independent directors. All members of the Committee have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. The Chairman of the Committee, Calum Thomson, is a Chartered Accountant.

### 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 59. 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 Independent 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.

# Governance

## Report of the Audit Committee

At the request of the Board, the Audit Committee considered whether the 2018 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, BDO, 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 provided by the Auditor must be approved by the Audit Committee in advance of any work being carried out and non-audit work, where independence may be compromised or conflicts arise, is prohibited. Details of the Auditor's fees, including fees for any non-audit services can be found on page 61. No non-audit services were provided by the Auditor in respect of the financial year ended 30 September 2018. The cost of non-audit services provided by the previous Auditor, KPMG for the financial year ended 30 September 2018 was £12,000 (2017: £12,000). This comprised £12,000 in relation to the half-year review. Future non-audit services that may be carried out by the Auditor are expected to be primarily assurance related, and the Audit Committee believe that BDO will be best placed to provide them on a cost effective basis.

As reported in the Company's Annual Report and Financial Statements for the year ended 30 September 2017, following a tender process, KPMG were selected as the new Auditor and their appointment was confirmed by shareholders at the AGM held on 24 January 2017. KPMG audited the Company's financial statements for the year ended 30 September 2017.

As announced on 28 August 2018, KPMG had advised the Company that they were no longer able to hold office as the Company's Auditor, due to the then-proposed acquisition of the Company's parent undertaking by Phoenix Group Holdings, which resulted in conflicts of independence for KPMG. KPMG stepped down as Auditor of the Company's on 23 August 2018.

Following a further tender process, BDO were selected and, having expressed their willingness to be appointed as Auditor to the Company, were appointed as Auditor on 24 August 2018. A Resolution for the approval of the appointment of BDO as Independent Auditor for the year ending 30 September 2019 will be put to the 2019 AGM.

It should be noted that BDO will rotate the Senior Statutory Auditor responsible for the audit every five years. The current Audit Partner is Peter Smith. The next audit tender is due to take place by 2028 in compliance with EU regulations and FRC Guidance on audit tenders.

This is the first year that the Company has been audited by BDO and the Committee will keep BDO'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 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.

### For and on behalf of the Audit Committee



**Calum Thomson, FCA**  
**Chairman**

**11 December 2018**



# 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 Company, together with a description of the principal risks and uncertainties that it faces.

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

**11 December 2018**

# Governance

## Depositary Report

**Year ended 30 September 2018**

**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 2018**

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.**

**11 December 2018**

# Financial Statements

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

### Opinion

We have audited the financial statements of Standard Life Private Equity Trust plc (the 'Company') for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the strategic report set out on pages 1 to 32 that describes the principal risks and explains how they are being managed or mitigated;

- the directors' confirmation set out on page 8 in the annual report 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 or liquidity;
- the directors' statement set out on page 48 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 8 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, 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

### Key audit matter

#### **Valuation and ownership of investments:**

**(Note 1 (c) page 59 and Note 9 on page 64):**

Unquoted investments represent 87% of the Company's total assets (by value). There is a level of estimation uncertainty involved in the underlying general partner valuations and as such, there is a significant risk over the valuation of investments.

In addition, the Investment Manager's fee is based on the value of the net assets of the fund. As the Investment Manager is able to make adjustments to the underlying valuations, there is a potential risk of overstatement of investment valuations.

As investments make up the majority of the balance sheet, it is necessary to ensure that the company has appropriate title over investments.

### Audit Response

We responded to this matter by testing the valuation of 99.99% of the portfolio of investments.

In respect of unquoted investment valuations (87% of total assets) we:

- Discussed with the Investment Manager key judgements affecting the investee company valuations, such as the basis for the valuation and any adjustments made to the independent valuation produced by the underlying fund manager on the private equity funds. We reviewed the investment manager's internal processes for considering the movements in fair value of the underlying portfolio.
- Compared the year-end valuations to the independent valuations produced by the managers of the underlying funds and assessed the appropriateness of any adjustments made by the investment manager. Where an up to date independent valuation was not available, we agreed the cash roll forward performed by the GP to direct confirmation from the GP. Where the cash roll forward was performed by the investment manager, we agreed the cash flows and the adjustments as being reasonable. Our work included considering events which occurred subsequent to the year end up until the date of this report.
- Considered the need for the Investment Manager to adjust the underlying valuations for specific cases, such as carried interest, and agreed these adjustments to the underlying calculations and support; considering where hurdles are met or not.
- Confirmed the accuracy of the underlying GP valuations by agreeing a sample of GP valuations to the most recent audited fund accounts.
- Considered whether the assumptions and underlying evidence supporting the year end valuations are in line with UK GAAP and the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines.

In respect of the quoted investments valuation testing we confirmed that bid price has been used for 100% of the portfolio by agreeing to externally quoted prices and checked that there are no contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value.

In respect of title and ownership of investments, we obtained direct confirmation from BNP Paribas Securities Services, the depositary, regarding all investments held at the balance sheet date.

We also ensured that financial statement disclosures in respect of investment valuations are in accordance with the requirements of FRS 102 and the SORP.

# Financial Statements

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

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality

level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

<b>Materiality measure</b>	<b>Purpose</b>	<b>Key considerations and benchmarks</b>	<b>Quantum (£)</b>
<i>Financial statement materiality. (1% of net assets)</i>	Assessing whether the financial statements as a whole present a true and fair view.	The value of net assets  The level of judgement inherent in the valuation  The range of reasonable alternative valuations	£6,550,000
<i>Performance materiality</i>	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	Financial statement materiality.  Risk and control environment.  History of prior errors (if any)	£4,260,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £130,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

### An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and, the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and FRS 102. We also considered the Company's qualification as an Investment Trust under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of

not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- obtaining an understanding of the control environment in respect of monitoring compliance with laws and regulations
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

# Financial Statements

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

### Other information

The Directors are responsible for the other information. The *other information* comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable [set out on page 48]** – the statement given by the directors that they 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting [set out on pages 46 and 47]** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code [set out on pages 43 to 45]** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

*In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.*

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the *strategic report* or the *director's report*.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Financial Statements

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

In preparing the financial statements, the directors are *responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they *could reasonably be expected to influence the economic* decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other matters which we are required to address**

Following the recommendation of the audit committee, we were appointed by the Directors on 24 August 2018 to audit the financial statements for the year ending 30 September 2018 and subsequent financial periods.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### **Use of our report**

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.

BDO LLP

**Peter Smith (Senior Statutory Auditor)**  
**For and on behalf of BDO LLP, Statutory Auditor**  
**London**  
**11 December 2018**

**BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).**

# Financial Statements

## Statement of Comprehensive Income

	Notes	For the year ended 30 September 2018			For the year ended 30 September 2017		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Total capital gains on investments</b>	9	-	<b>82,383</b>	<b>82,383</b>	-	<b>72,537</b>	<b>72,537</b>
Currency gains	14	-	972	972	-	163	163
Income	2	6,955	-	6,955	16,241	-	16,241
Investment management fee	3	(599)	(5,388)	(5,987)	(551)	(4,957)	(5,508)
Administrative expenses	4	(996)	-	(996)	(1,068)	-	(1,068)
<b>Profit before finance costs and taxation</b>		<b>5,360</b>	<b>77,967</b>	<b>83,327</b>	<b>14,622</b>	<b>67,743</b>	<b>82,365</b>
Finance costs	5	(279)	(632)	(911)	(301)	(632)	(933)
<b>Profit before taxation</b>		<b>5,081</b>	<b>77,335</b>	<b>82,416</b>	<b>14,321</b>	<b>67,111</b>	<b>81,432</b>
Taxation	6	(1,744)	456	(1,288)	(2,037)	1,725	(312)
<b>Profit after taxation</b>		<b>3,337</b>	<b>77,791</b>	<b>81,128</b>	<b>12,284</b>	<b>68,836</b>	<b>81,120</b>
<b>Earnings per share - basic and diluted</b>	8	<b>2.17p</b>	<b>50.60p</b>	<b>52.77p</b>	<b>7.99p</b>	<b>44.77p</b>	<b>52.76p</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 12.40p (2017: 12.00p) per ordinary share.



# Financial Statements

## Statement of Financial Position

	Notes	At 30 September 2018		At 30 September 2017	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Investments	9		603,709		505,107
<b>Current assets</b>					
Receivables	10	1,048		808	
Cash and cash equivalents		57,441		93,648	
		<b>58,489</b>		<b>94,456</b>	
<b>Creditors: amounts falling due within one year</b>					
Payables	11	(835)		(571)	
<b>Net current assets</b>			<b>57,654</b>		<b>93,885</b>
<b>Total assets less current liabilities</b>			<b>661,363</b>		<b>598,992</b>
<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		522,974		448,751
Revenue reserve	14		-		11,852
<b>Total shareholders' funds</b>			<b>661,363</b>		<b>598,992</b>
<b>Net asset value per equity share</b>	15		<b>430.2p</b>		<b>389.6p</b>

The financial statements on pages 55 to 71 were approved by the board of directors on 11 December 2018 and were signed on its behalf by:

Edmond Warner, OBE  
Chairman



11 December 2018

# Financial Statements

## Statement of Changes in Equity

For the year ended 30 September 2018

	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 2017</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>
Profit after taxation		-	-	-	-	77,791	3,337	<b>81,128</b>
Dividends paid								
- Owners	7	-	-	-	-	(2,010)	(8,558)	<b>(10,568)</b>
- Non-controlling interests	7	-	-	-	-	(1,558)	(6,631)	<b>(8,189)</b>
<b>Balance at 30 September 2018</b>	<b>13,14</b>	<b>307</b>	<b>86,485</b>	<b>51,503</b>	<b>94</b>	<b>522,974</b>	<b>-</b>	<b>661,363</b>

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								
- Owners	7	-	-	-	-	-	(8,267)	<b>(8,267)</b>
- Non-controlling interests	7	-	-	-	-	-	(6,493)	<b>(6,493)</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>

# Financial Statements

## Statement of Cash Flows

		For the year ended 30 September 2018		For the year ended 30 September 2017	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Net profit before taxation			82,416		81,432
Adjusted for:					
Finance costs			911		933
Gains on disposal of investments			(51,351)		(50,067)
Revaluation of investments			(31,032)		(22,470)
Currency gains			(972)		(163)
Increase in debtors			(362)		(155)
Increase/(decrease) in creditors			215		(6,891)
Tax deducted from non - UK income			(1,288)		(312)
Interest paid			(770)		(767)
<b>Net cash (outflow)/inflow from operating activities</b>			<b>(2,233)</b>		<b>1,540</b>
<b>Cash flows from investing activities</b>					
Purchase of investments		(141,533)		(114,137)	
Disposal of underlying investments by funds		122,845		114,013	
Disposal of quoted investments		2,499		946	
<b>Net cash (outflow)/inflow from investing activities</b>			<b>(16,189)</b>		<b>822</b>
<b>Cash flows from financing activities</b>					
Ordinary dividends paid	7	(18,757)		(14,760)	
<b>Net cash outflow from financing activities</b>			<b>(18,757)</b>		<b>(14,760)</b>
<b>Net decrease in cash and cash equivalents</b>			<b>(37,179)</b>		<b>(12,398)</b>
Cash and cash equivalents at the beginning of the year			93,648		105,883
Currency gains on cash and cash equivalents			972		163
<b>Cash and cash equivalents at the end of the year</b>			<b>57,441</b>		<b>93,648</b>
<b>Cash and cash equivalent consists of:</b>					
Money market funds			50,115		76,332
Cash and short-term deposits			7,326		17,316
<b>Cash and cash equivalents</b>			<b>57,441</b>		<b>93,648</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', ("the SORP"). 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 Statement of Corporate Governance on page 45. 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.

#### (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'. Fair value can be calculated by the fund manager in a number of ways. In general, the fund managers with whom the Company invests adopt a valuation approach which applies an appropriate comparable listed company multiple to an investee company's earnings or by reference to recent transactions. 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 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.

**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.

# Financial Statements

## Notes to the Financial Statements

### 1. Accounting Policies (continued)

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

**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. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital column. Withholding tax suffered on income from overseas investments is taken to the revenue column of the Statement of Comprehensive Income.

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** - Transactions in foreign currencies are converted to sterling at the exchange rate ruling at the date of the transaction. 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:

	2018	2017
Euro	1.1227	1.1349
US dollar	1.3041	1.3417
Canadian Dollar	1.6856	1.6779

**(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) and 18(a).

# Financial Statements

## Notes to the Financial Statements

### 1. Accounting Policies (continued)

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 having its shareholder base in the United Kingdom, pays dividends as well as expenses in sterling. Consequently, the Board considers the Company's presentational currency to be sterling.

**(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.

**(j) Segmental reporting** - The directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided.

2. Income	Year to 30 September 2018 £'000	Year to 30 September 2017 £'000
Income from fund investments	6,305	15,999
Income from quoted investments	248	27
Interest from cash balances and money market funds	402	215
<b>Total income</b>	<b>6,955</b>	<b>16,241</b>

3. Investment management fees	Year to 30 September 2018			Year to 30 September 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	599	5,388	5,987	551	4,957	5,508

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.

4. Administrative expenses	Year to 30 September 2018 £'000	Year to 30 September 2017 £'000
Directors' fees	237	186
Marketing/advertising	197	170
Secretarial and administration fees	189	181
Depository fees	106	100
Professional and consultancy fees	70	145
Auditor's remuneration* – statutory audit	32	27
– interim review	12	12
Fees and subscriptions	37	31
Legal fees	7	80
Other expenses	109	136
<b>Total</b>	<b>996</b>	<b>1,068</b>

Irrecoverable VAT has been shown under the relevant expense line.

\* The prior year Auditor remuneration figures are in respect of the services provided by KPMG. For the current year, KPMG performed the interim review and BDO performed the statutory audit. Further details on the transition of the Auditor are provided in the Report of the Audit Committee on pages 46 and 47. Auditor's remuneration is shown net of VAT, with the VAT element where irrecoverable, shown under "Other expenses."

# Financial Statements

## Notes to the Financial Statements

The administration and depositary fees payable to BNP Paribas Securities S.A. are adjusted annually in line with the retail price index. The administration and depositary agreements are terminable by the Company on three and six months' notice respectively.

The secretarial fee payable to Maven Capital Partners UK LLP is adjusted annually in line with the retail price 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 page 41.

5. Finance costs	Year to 30 September 2018			Year to 30 September 2017		
	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*	209	-	209	231	-	231
Bank loan arrangement fee	14	128	142	14	128	142
<b>Total</b>	<b>279</b>	<b>632</b>	<b>911</b>	<b>301</b>	<b>632</b>	<b>933</b>

\* Bank interest paid includes negative interest on euro denominated cash and cash equivalents.

6. Taxation	Year to 30 September 2018 £'000	Year to 30 September 2017 £'000
(a) Analysis of the tax charge throughout the year		
Overseas withholding tax	1,288	312

	Year to 30 September 2018			Year to 30 September 2017		
	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	5,081	77,335	82,416	14,321	67,111	81,432

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 2018			Year to 30 September 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return multiplied by the effective rate of corporation tax in the UK - 19.0% (2017: 19.5%)	965	14,694	15,659	2,793	13,087	15,880
Non-taxable capital gains on investments <sup>1</sup>	-	(15,653)	(15,653)	-	(14,145)	(14,145)
Non-taxable currency gains	-	(185)	(185)	-	(32)	(32)
Non-taxable income	(509)	-	(509)	(1,068)	-	(1,068)
Overseas withholding tax	1,288	-	1,288	312	-	312
Surplus management expenses and loan relationship deficits not relieved/(relieved)	-	688	688	-	(635)	(635)
<b>Total tax charge/(credit) for the year</b>	<b>1,744</b>	<b>(456)</b>	<b>1,288</b>	<b>2,037</b>	<b>(1,725)</b>	<b>312</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 £1,315,000 (2017: £641,000) 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 2018 £'000</b>	<b>Year to 30 September 2017 £'000</b>
Amount recognised as a distribution to equity holders in the year:		
2017 final dividend of 6.00p (2016: 3.60p) per ordinary share paid on 31 January 2018 (2017: paid on 27 January 2017)	9,225	5,535
2018 first quarterly dividend of 3.10p (2017: nil) per ordinary share paid on 27 April 2018	4,766	-
2018 second quarterly dividend of 3.10p (2017: interim dividend 6.00p) per ordinary share paid on 27 July 2018 (2017: paid on 21 July 2017)	4,766	9,225
<b>Total</b>	<b>18,757</b>	<b>14,760</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 total revenue and capital profits available for distribution by way of a dividend for the year is £81,128,000 (2017: £81,120,000).

	<b>Year to 30 September 2018 £'000</b>	<b>Year to 30 September 2017 £'000</b>
2018 first quarterly dividend of 3.10p (2017: nil) per ordinary share paid on 27 April 2018	4,766	-
2018 second quarterly dividend of 3.10p (2017: interim dividend 6.00p) per ordinary share paid on 27 July 2018 (2017: paid on 21 July 2017)	4,766	9,225
2018 third quarterly dividend of 3.10p (2017: nil) per ordinary share paid on 26 October 2018	4,766	-
Proposed 2018 final dividend of 3.10p per ordinary share (2017 final dividend: 6.00p per ordinary share) due to be paid on 25 January 2019 (2017 paid: 31 January 2018).	4,766	9,225
<b>Total</b>	<b>19,064</b>	<b>18,450</b>

<b>8. Earnings per share - basic and diluted</b>	<b>Year to 30 September 2018</b>		<b>Year to 30 September 2017</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	2.17	3,337	7.99	12,284
Capital net return	50.60	77,791	44.77	68,836
<b>Total net return</b>	<b>52.77</b>	<b>81,128</b>	<b>52.76</b>	<b>81,120</b>
Weighted average number of ordinary shares in issue:		153,746,294		153,746,294



# Financial Statements

## Notes to the Financial Statements

	30 September 2018			30 September 2017		
9. Investments	Quoted Investments £'000	Unquoted Investments £'000	Total £'000	Quoted Investments £'000	Unquoted Investments £'000	Total £'000
Fair value through profit or loss:						
Opening market value	1,399	503,708	505,107	-	433,392	433,392
Opening investment holding losses/(gains)	310	(28,151)	(27,841)	-	(5,371)	(5,371)
<b>Opening book cost</b>	<b>1,709</b>	<b>475,557</b>	<b>477,266</b>	<b>-</b>	<b>428,021</b>	<b>428,021</b>
Movements in the year:						
Additions at cost	30,020	89,658	119,678	2,743	91,244	93,987
Secondary purchases	-	21,885	21,885	-	20,150	20,150
Disposal of underlying investments by funds	-	(122,845)	(122,845)	-	(114,013)	(114,013)
Disposal of quoted investments	(2,499)	-	(2,499)	(946)	-	(946)
	<b>29,230</b>	<b>464,255</b>	<b>493,485</b>	<b>1,797</b>	<b>425,402</b>	<b>427,199</b>
Gains on disposal of underlying investments	-	78,611	78,611	-	52,098	52,098
Losses on disposal of quoted investments	(184)	-	(184)	(88)	-	(88)
Losses on liquidation of fund investments <sup>1</sup>	-	(27,076)	(27,076)	-	(1,943)	(1,943)
<b>Closing book cost</b>	<b>29,046</b>	<b>515,790</b>	<b>544,836</b>	<b>1,709</b>	<b>475,557</b>	<b>477,266</b>
Closing investment holding (losses)/gains	(26)	58,899	58,873	(310)	28,151	27,841
<b>Closing market value</b>	<b>29,020</b>	<b>574,689</b>	<b>603,709</b>	<b>1,399</b>	<b>503,708</b>	<b>505,107</b>

<sup>1</sup> Relates to the write off of investments which were previously already provided for.

	30 September 2018			30 September 2017		
	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments:						
Net (losses)/gains on disposal of investments	(184)	51,535	51,351	(88)	50,155	50,067
Net revaluation of investments	284	30,748	31,032	(310)	22,780	22,470
<b>Total</b>	<b>100</b>	<b>82,283</b>	<b>82,383</b>	<b>(398)</b>	<b>72,935</b>	<b>72,537</b>

As shown in the Fund Investments table on page 29, the Company invests in five quoted equities as part of its liquidity management strategy. The figures above relate to both the Company's unquoted investments in private equity funds and in quoted investments. The Highlights, Chairman's Statement and Strategic Report on pages 1 to 32 report on the performance of the Company's principal activity of investing in private equity funds.

### 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 2018 £'000	30 September 2017 £'000
Purchases	285	245
Sales	1	4
	<b>286</b>	<b>249</b>

# Financial Statements

## Notes to the Financial Statements

<b>10. Receivables</b>	<b>30 September 2018 £'000</b>	<b>30 September 2017 £'000</b>
Amounts falling due within one year:		
Interest receivable	493	140
Unamortised loan arrangement fees	277	399
Corporation tax recoverable	200	200
Prepayments	78	67
Withholding tax recoverable	-	2
<b>Total</b>	<b>1,048</b>	<b>808</b>

<b>11. Payables</b>	<b>30 September 2018 £'000</b>	<b>30 September 2017 £'000</b>
Management fee	553	307
Bank interest <sup>1</sup>	63	44
Secretarial and administration fee	38	37
Accruals and deferred income	181	183
<b>Total</b>	<b>835</b>	<b>571</b>

<sup>1</sup> Bank interest payable includes negative interest on Euro denominated money market funds.

### 12. Bank loans

At 30 September 2018, the Company had an £80 million (2017: £80 million) committed, multi-currency syndicated revolving credit facility provided by Citi and Societe Generale of which £nil (2017: £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.

<b>13. Called up share capital</b>	<b>30 September 2018 £</b>	<b>30 September 2017 £</b>
<b>Issued and fully paid:</b>		
<b>Ordinary shares of 0.2p</b>		
Opening balance of 153,746,294 (2017: 153,746,294) ordinary shares	307,493	307,493
Closing balance of 153,746,294 (2017: 153,746,294) ordinary shares	<b>307,493</b>	<b>307,493</b>

The Company may buy 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.

No shares were bought back during the year and prior year.

# 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 2017	86,485	51,503	94	420,910	27,841	11,852
Gains on disposal of investments	-	-	-	51,351	-	-
Management fee charged to capital	-	-	-	(5,388)	-	-
Finance costs charged to capital	-	-	-	(632)	-	-
Tax relief on management fee and finance costs above	-	-	-	456	-	-
Currency gains	-	-	-	972	-	-
Revaluation of investments	-	-	-	-	31,032	-
Return after taxation	-	-	-	-	-	3,337
Dividends during the year	-	-	-	(3,568)	-	(15,189)
Closing balances at 30 September 2018	86,485	51,503	94	464,101	58,873	-

15. Net asset value per equity share	30 September 2018	30 September 2017
Basic and diluted:		
Ordinary shareholders' funds	£661,363,392	£598,991,912
Number of ordinary shares in issue	153,746,294	153,746,294
Net asset value per ordinary share	430.2p	389.6p

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 2018 £'000	30 September 2017 £'000
Outstanding calls on investments	369,275	325,633

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, which was the ultimate parent undertaking of the Company prior to completion of the sale of SLAL to Phoenix on 31 August 2018. Further details of the sale of SLAL to Phoenix are provided on page 6. From 1 September 2018, the ultimate parent undertaking of the Company is Phoenix Group Holdings.

The results for the period from 1 October 2017 to 31 August 2018 are incorporated into the group financial statements of Standard Life Aberdeen plc, will be available to download from the website [www.standardlifeaberndeen.com](http://www.standardlifeaberndeen.com). The results for the period from 1 September 2018 to 30 September 2018 are incorporated into the group financial statements of Phoenix Group Holdings, which will be available to download from the website [www.thephoenixgroup.com](http://www.thephoenixgroup.com).

Standard Life Assurance Limited ("SLA", which is 100% owned by Phoenix Group Holdings), and the Company have entered into a relationship agreement which provides that, for so long as SLAL and its Associates exercise, or control the exercise, of 30% or more of the voting rights of the Company, SLAL and its Associates, will not seek to enter into any transaction or arrangement with the Company which is not conducted at arm's length and on normal commercial terms, take any action that would have the effect of preventing the Company from carrying on an independent business as its main activity or from complying with its obligations under the Listing Rules or propose or procure the proposal of any shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. A more detailed summary of the terms of the relationship agreement is set out in the Directors' Report on page 36. During the year ended 30 September 2018, Standard Life Assurance Limited received dividends from the Company totalling £10,568,000 (2017: £8,267,000).

# Financial Statements

## Notes to the Financial Statements

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

As at 30 September 2018, the Company was invested in the Standard Life Investments Liquidity Funds, managed by Standard Life Investments Limited. As at 30 September 2018 the Company had invested £14,163,000 in the Standard Life Investments Liquidity Funds (2017: £27,291,000) which are included within cash and cash equivalents in the Statement of Financial Position. During the year, the Company received interest amounting to £3,000 (2017: £54,000) on GBP denominated positions. The Company incurred £91,000 (2017: £103,000) interest on EUR denominated positions as a result of negative interest rates. As at 30 September 2018 no interest was due to the Company on Sterling denominated positions (2017: £nil) and there was no interest payable on euro denominated positions (2017: £nil). No additional fees are payable to Standard Life as a result of this investment. During an Extraordinary General Meeting held on 21 September 2018, a resolution was passed to merge the Standard Life Investments Liquidity Funds into the Aberdeen Liquidity Funds. The effective date of the merger was 5 October 2018.

During the year ended 30 September 2018 the Manager charged management fees totalling £5,987,000 (2017: £5,508,000) to the Company in the normal course of business. The balance of management fees outstanding at 30 September 2018 was £553,000 (2017: £307,000).

During the year ended 30 September 2018, the directors of the Company, who are considered to be key management personnel, received fees for their services. Details of these fees are provided in the Directors' Remuneration Report on page 41. The directors were reimbursed £nil (2017: £16,000) for out of pocket expenses incurred in attending the Company's business. No amounts were outstanding to the directors at the year end (2017: nil). The directors' shareholdings are also detailed on page 40.

No other related party transactions were undertaken during the year ended 30 September 2018.

### 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 2018 £'000	30 September 2017 £'000
<b>Financial assets</b>		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	603,709	505,107
<b>Loans and receivables:</b>		
Current assets:		
Debtors (accrued income and other debtors)	1,048	808
Money market funds, cash and short-term deposits	57,441	93,648
	<b>662,198</b>	<b>599,563</b>
<b>Financial liabilities</b>		
Measured at amortised cost:		
Creditors: amounts falling due within one year:		
Accruals	835	571

#### 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 2018 would have increased the net assets attributable to the Company's shareholders and the total return for the year by £60,371,000 (2017: £50,511,000); 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. Due to the private nature of the underlying companies, invested into by the Company's underlying funds, it is not possible for the Company to more accurately pinpoint the effect to the Company's net assets of changes to EBITDA ratios of listed markets.

##### 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.

# Financial Statements

## Notes to the Financial Statements

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

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

	30 September 2018		30 September 2017	
	Local Currency '000	Sterling Equivalent £'000	Local Currency '000	Sterling Equivalent £'000
Fixed asset investments:				
Euro	565,872	504,028	502,210	442,515
Sterling	39,891	39,891	25,677	25,677
US Dollar	65,203	50,000	49,527	36,915
Canadian Dollar	16,502	9,790	-	-
Money market funds, cash and short-term deposits:				
Euro	33,048	29,436	73,282	64,571
Sterling	9,071	9,071	9,556	9,556
US Dollar	24,691	18,934	26,190	19,521
Other debtors and creditors:				
Euro	(71)	(63)	(47)	(41)
Sterling	(149)	(149)	157	157
US Dollar	554	425	164	121
<b>Total</b>		<b>661,363</b>		<b>598,992</b>
Outstanding commitments:				
Euro	326,280	290,622	289,584	255,163
Sterling	24,140	24,140	29,098	29,098
US Dollar	71,088	54,513	55,506	41,372
<b>Total</b>		<b>369,275</b>		<b>325,633</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 2018 sterling depreciated by 1.1% relative to the euro (2017: depreciated 1.8%) and depreciated by 2.8% relative to the US dollar (2017: appreciated 3.3%).

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 2018, the capital gain would have increased for the year by £67,988,000 (2017: increase of £62,606,000 in capital gain); a 10% change in the opposite direction would have decreased the capital gain for the year by £55,653,000 (2017: £51,229,000).

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 £38,348,000 at the year-end (2017: £32,948,000), a 10% change in the opposite direction would have decreased the amount of outstanding commitments by £31,376,000 (2017: £26,958,000).

# Financial Statements

## Notes to the Financial Statements

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

#### 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 2018 £'000	30 September 2017 £'000
Money market funds, cash and short-term deposits	57,441	93,648

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 2018		30 September 2017	
	Weighted average interest rate %	£'000	Weighted average interest rate %	£'000
<b>Floating rate</b>				
Financial assets: Money market funds, cash and short-term deposits	0.71	57,441	0.01	93,648

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 (2017: 31.0 days). The loan facility, as disclosed on note 12, remains undrawn.

# Financial Statements

## Notes to the Financial Statements

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

#### 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 2018 by £5,000 (2017: £7,000). 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 2018 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 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 2018:

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Unquoted investments	-	-	574,689	574,689
Quoted investments	29,020	-	-	29,020
<b>Net fair value</b>	<b>29,020</b>	<b>-</b>	<b>574,689</b>	<b>603,709</b>

As 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>

#### 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 2018, 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 of £29,020,000 (2017: £1,399,000).

During the year there was no movement between any of the levels (2017: £2,742,000 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 2018 (2017: 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 satisfaction of the EU regulations on transparency of SFT.



# Notice of Annual General Meeting

Notice is hereby given that the eighteenth 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 Tuesday, 22 January 2019 at 12.30 p.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 12 (inclusive) and 15 will be proposed as ordinary resolutions and resolutions 13 and 14 will be proposed as special resolutions.

1. That the Annual Report and Financial Statements for the year ended 30 September 2018, including the Directors' Report and the Independent Auditor's Report be received.
2. That the Directors' Remuneration Report for the year ended 30 September 2018 be approved.
3. To approve a final dividend for the year ended 30 September 2018 of 3.1 pence per ordinary share.
4. That Mr Devine be re-elected as a director.
5. That Ms McComb be re-elected as a director.
6. That Ms Seymour-Williams be re-elected as a director.
7. That Mr Thomson be re-elected as a director.
8. That Mr Bond be elected as a director.
9. That BDO LLP be appointed as Independent Auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
10. That the directors be authorised to fix the remuneration of the Independent Auditor for the year to 30 September 2019.
11. That the aggregate fees paid to the directors for their services as directors of the Company shall not exceed £350,000 per annum.
12. 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 2020 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2020, 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.
13. That, subject to the passing of resolution 12 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 12 in this Notice of Annual General Meeting as if section 561 of the Act did not apply to the allotment. This power:
  - (i) expires on 31 March 2020 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2020, 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 13 the words "pursuant to the authority under section 551 of the Act conferred by resolution 12 in this Notice of Annual General Meeting" were omitted.
14. 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 of this Notice of Annual General Meeting) 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;

# Notice of Annual General Meeting

(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

(iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 March 2020 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2020, 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.

15. That, the proposed investment objective and policy set out on pages 38 and 39 of the Annual Report and Financial Statements for the year ended 30 September 2018, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the investment objective and policy of the Company to the exclusion of all previous investment objectives and policies of the Company.

By order of the Board

**Maven Capital Partners UK LLP**  
**Company Secretary**  
Kintyre House,  
205 West George Street,  
Glasgow, G2 2LW

**11 December 2018**

## 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.

# Notice of Annual General Meeting

## 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 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 18 January 2019 (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 [https://www.slpet.co.uk/IT\\_SLEPET\\_AGM\\_Notice.pdf](https://www.slpet.co.uk/IT_SLEPET_AGM_Notice.pdf).

# Notice of Annual General Meeting

## 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 11 December 2018 (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 11 December 2018 were 153,746,294 votes.

## 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 Guidance 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.

SEVEN CAPITAL PARTNERS UK LLP,  
SECRETARY  
  
AUTHORISED SIGNATORY

# 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 2018 and 2017, £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 2018 are shown below:

	30 September 2018	
	Gross method	Commitment method
<b>Leverage exposure</b>		
Maximum limit	250.0%	250.0%
Actual	98.8%	98.8%

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

### Remuneration policy

The Company has no direct employees.

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

# Additional Information

## Information for Investors

### Registered address

This Annual 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 this 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 225 2345

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

### Benchmark

The Company has not identified an appropriate benchmark and therefore does not measure its performance against any particular one. It does however provide a number of comparator benchmarks. The purpose of the comparator benchmarks is to provide shareholders with the means to compare the Company's performance.

### 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.

### Co-investment

An investment made directly into a private company alongside other private equity managers.

### 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. Within the Annual Report and Financial Statements, the terms cash realisations and distributions are used interchangeably, the figure being derived as follows: proceeds from disposal of underlying investments by funds, plus income from those fund investments less overseas withholding tax suffered.

### 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.

### NAV total return

The NAV total return is calculated by adding dividends in the period to the increase or decrease in the NAV. The dividends are assumed to be re-invested in the quarter the dividend is paid.

### Ongoing charges

Management fees and all other recurring operating expenses that are payable by the Company excluding the costs of purchasing and selling investments, incentive fee, finance costs, taxation, non-recurring costs, and costs of share buy-back transactions, expressed as a percentage of the average NAV during the period. Ongoing charges and performance-related fees of the Company's underlying investments are excluded.

### 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.

### Primary investment

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.

### 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. Once a private equity fund is raised, no new investors are typically 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. Within the Annual Report and Financial Statements, the terms "Secondary transaction" and "Secondary investment" are used interchangeably.

### Share buy-back transaction

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

### Share price total return

The share price total return is calculated by adding dividends in the period to the increase or decrease in the share price. The dividends are assumed to be re-invested on the day the share price goes ex-dividend.

# Additional Information

## Corporate Information

### Directors

Edmond Warner OBE, Chairman  
Jonathon Bond (appointed 15 June 2018)  
Alan Devine  
Christina McComb OBE  
Diane Seymour-Williams  
Calum Thomson (appointed 30 November 2017)

### Investment Manager

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

### Company Secretary

Maven Capital Partners UK LLP  
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 House  
25 Dowgate Hill  
London EC4R 2GA  
United Kingdom

### Solicitors

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

### Tax Advisers

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX  
United Kingdom

### Independent Auditor

BDO LLP  
55 Baker Street  
London W1U 7EU  
United Kingdom

### Bankers

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

### Registrars

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



**Standard Life Private Equity Trust plc**

**Registered Office**

1 George Street  
Edinburgh EH2 2LL  
United Kingdom

**Registered Number:**

Registered in Scotland:  
SC216638