SC210038

Report and Accounts

for the year ended 30 September 2004

Standard Life European Private Equity Trust PLC

Contents

Objective

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

Company Summary

Investment Manager	Standard Life Investments (Private Equity) Limited
Shareholders' funds	£168.6 million as at 30 September 2004
Market capitalisation	£150.4 million as at 30 September 2004
Capital structure	159,150,000 ordinary shares of 0.2p each Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every ordinary share held. 35,000,000 founder shares of 0.2p each The founder shares do not carry any right to vote, except in the case of changes to class rights.
Management fee	0.8% per annum of the net assets of the Company. The notice period is one year.
Company secretarial and administration fee	£70,032 (index linked) plus 0.035% per annum of the net assets in excess of £100 million. The notice period is three months.
ISA status	The Company's ordinary shares are eligible for Individual Savings Accounts (ISAs).
AITC membership	The Company is a member of The Association of Investment Trust Companies.
Investment policy	The Company will not invest more than 15% of its gross assets in other listed investment companies (including investment trusts).

Financial Summary

Performance	30 September 2004	30 September 2003	Launch 29 May 2001
Capital return			
Net asset value per ordinary share	105.9p	93.6p	98.7p
Share price	94.5p	82.0p	100.0p
FTSE All-Share Index[1]	2,271.7	2,027.7	2,852.7
MSCI Europe Index (in sterling)[1]	658.9	586.2	851.3

Performance: percentage change	Year to 30 September 2004 %	Since launch %
Capital return		
Net asset value per ordinary share	13.1	7.3
Share price	15.2	(5.5)
FTSE All-Share Index[1]	12.0	(20.4)
MSCI Europe Index (in sterling)[1]	12.4	(22.6)

Income returns, discount and expense ratio	30 September 2004	30 September 2003
Revenue return per ordinary share[2]	1.53p	0.71p
Final dividend per ordinary share	1.20p	0.55p
Discount (difference between share price and net asset value)	(10.8%)	(12.4%)
Total expense ratio – as a % of average shareholders' funds	1.04%	1.07%

Share price (mid)	94.5p	82.0p

[1] The Company has no defined benchmark; the indices above are shown solely for comparative purposes.

[2] The allocation of the management fee and finance costs between the revenue and capital accounts is 10:90.

Performance and dividend

In a stronger macro-economic environment the year ended 30 September 2004 saw positive returns for the major stock market indices and an improving market for private equity realisations. Against this background, the Company has made good progress. As at 30 September 2004 the Company's net asset value per ordinary share ('NAV') was 105.9p, a 13.1% increase over the NAV of 93.6p reported as at 30 September 2003.

The income received by the Company during the year allows the Board to recommend a final dividend of 1.20p per ordinary share (year ended 30 September 2003 – 0.55p). Subject to shareholder approval, this dividend will be paid on 3 February 2005 to shareholders on the share register as at 7 January 2005.

Although the Company does not have a defined benchmark, the Company's NAV since listing has materially out-performed the two most relevant stock market indices. Since listing in May 2001, the Company's NAV has risen by 7.3%, while the FTSE All-Share Index has fallen by 20.4% and the MSCI Europe Index (sterling adjusted) by 22.6%.

The closing mid-market price of the Company's ordinary shares on 30 September 2004 was 94.5p (30 September 2003 – 82.0p), an increase of 15.2% over the year. The share price was at a 10.8% discount to the Company's NAV as at that date (30 September 2003 – 12.4%).

Valuation

The value of the Company's portfolio of 30 private equity fund interests rose over the year, through a combination of new investment activity less distributions and unrealised gains. As at 30 September 2004 the portfolio was valued at £150.3 million (30 September 2003 – £126.9 million). The unrealised gains on the portfolio over the year were £10.0 million. The uplift from unrealised gains can be attributed principally to the improving economic climate and better trading conditions and cashflow generation at the underlying investee companies. Encouragingly, nearly all of the private equity funds represented in the Company's portfolio reported net valuation uplifts for the year.

The Company's aggregate cash and money market holdings were £20.9 million as at 30 September 2004 (30 September 2003 – £23.1 million).

During the year the 2.1% appreciation in sterling versus the euro and the 8.9% appreciation in sterling versus the US dollar had a marginally negative impact on NAV. As at 30 September 2004 £114.1 million, or 66.6%, of the Company's gross assets were invested in euro or US dollar denominated assets, (30 September 2003 – £99.3 million or 66.0%).

Investment activity

The year ended 30 September 2004 was a quieter period for new investment by the managers of the Company's private equity fund interests, when compared to the strong deal flow seen in the period from early 2002 to late 2003. This slow-down can be attributed to a reduction in the number of vendors in the early part of 2004, as the economic and financial environment improved, and a greater emphasis by private equity managers on achieving realisations. Nevertheless, a total of £39.9 million was drawn down by the Company's portfolio of fund interests (year ended 30 September 2003 – £52.5 million).

The Company's portfolio generated £40.6 million of distributions during the year (year ended 30 September 2003 – £13.6 million), of which £11.7 million was net realised gains and £3.5 million was income (year ended 30 September 2003 – net realised gains and income of £3.4 million). The Company received more money in distributions than in any year since its listing, reflecting a healthier market for the disposal and re-capitalisation of private equity investments. During the year 27 of the 30 private equity funds held by the Company distributed proceeds by way of gains and/or income.

Scott Dobbie CBE

The Company's aggregate outstanding commitments to its existing private equity fund interests were £92.1 million as at 30 September 2004 (30 September 2003 – £141.6 million). Most of these commitments should be drawn down over the next 2-3 years. These outstanding commitments will be funded from the Company's existing cash and money market holdings, distributions received from the Company's portfolio of private equity fund investments and, if necessary, the use of bank borrowings. As at 30 September 2004 the Company's £40 million committed revolving credit facility with The Royal Bank of Scotland plc remained undrawn.

No new fund commitments were made during the year. However, given the Company's actual and projected cashflows, the Board has decided that the Company should start to make new commitments again. This complements the current fund raising position of the leading European private equity managers, with most beginning to raise new funds or planning to do so within the next 18 months. Accordingly, the Company has made two new fund commitments, totalling £20.6 million, since the financial year end.

Outlook

The Company continues to enjoy a steady flow of distributions, from a mixture of disposals and re-capitalisations. Subject to macro-economic performance and political events, this pattern is expected to continue, while ongoing improvements in trading and cashflow at underlying investee companies should benefit unrealised valuations. Deal flow and the number of new transactions being completed by the private equity managers represented in the Company's portfolio have risen since mid 2004 and this should provide a good opportunity for the profitable deployment of the Company's remaining liquid resources.

Scott Dobbie CBE
Chairman

26 November 2004

Background

The Company was admitted to the Stock Exchange on 29 May 2001. As at that date its assets comprised a portfolio of 19 European private equity fund interests, acquired for £80.7 million, and gross cash subscribed in an institutional placing of £79.3 million. The issue price was 100p per ordinary share and the opening NAV was 98.7p. During the financial year ended 30 September 2004 the NAV increased by 13.1%, from 93.6p to 105.9p. Over the same period, the mid-market price for the Company's ordinary shares traded between 82.0p and 94.5p, with a closing mid-market price on 30 September 2004 of 94.5p (30 September 2003 – 82.0p).

The Company's policy is to announce its NAV at the time of the Company's unaudited interim and audited annual results' announcements in May and December respectively and, going forward, through quarterly trading announcements in March and September.

The Manager of the Company is Standard Life Investments (Private Equity) Limited, which comprises a team of 12 investment professionals with over 160 years combined private equity experience. This team manages in excess of £1.6 billion of private equity investments on behalf of over 50 clients worldwide, including The Standard Life Assurance Company ('Standard Life').

European private equity market

The economic environment continues to improve across most of Europe as the global recovery becomes more robust. The UK and Scandinavian region are experiencing the strongest growth in western Europe, while both France and Germany have recorded improvements in the first half of 2004. Increased competition from eastern Europe has become more evident following the accession of ten new members to the European Union. However, as a consequence of the planned long period of integration, any actual impact is expected to be steady rather than dramatic. In France and Germany perceived competitive threats have prompted a relaxation of labour laws and some structural reforms.

There is still concern regarding corporate profitibility and this has helped maintain a focus on operational improvements and corporate restructurings. The first quarter of 2004 was quiet in terms of European buy-out activity. However, transaction volumes have picked up since the spring and will remain high through to the close of the calendar year.

In the first half of the Company's financial year 43.6% of European buy-out transactions were sourced from corporate restructurings. While the listed markets are higher than last year and entry valuations have increased as a result, this has not been enough to preclude worthwhile private equity opportunities.

At the same time the uplift in listed markets has created more favourable conditions for divestment and this is reflected in the number of IPO's. Across the major European markets there were 269 IPO's in the first nine months of 2004, compared with just 72 during the same period in 2003. Many of these were private equity backed and one of the most successful was that of Halfords on the London Stock Exchange in June 2004. The flotation was three times over-subscribed and allowed the lead private equity manager, CVC, to realise a substantial proportion of its holding on listing. The Company benefited from the flotation of Halfords through its investments in CVC Europe II and III. Trade sales continue to provide the majority of exits for private equity investments, closely followed by secondary buy-outs to other private equity managers, which accounted for an increasing percentage of exits year on year.

In terms of both money raised and invested, the European private equity market experienced similar conditions in 2003 and early 2004 to those seen in 2002. After the highs of 2000 and 2001, driven by the venture boom, the industry has reverted to its long term trend. The chart below sets out the private equity funds raised and invested by the European private equity industry between 1995 and 2003.

Money raised fell by 1.9% in 2003, but indications are that the figure will increase for 2004 as some of the larger European private equity managers return to the market. This is expected to continue through 2005 as more managers schedule fund raisings.

The amount of money invested grew by 5.2% in 2003 to €29.1 billion, making it the second most active year after 2000. Furthermore, money invested exceeded money raised for the first time since 1995. This reversal continued in

European Private Equity Funds Raised and Invested (€ millions) the first half of 2004. In light of this, and the fact that the over-supply of private equity capital in 2000 and 2001 was predominantly for venture funds, the Manager believes the supply and demand of capital for European buy-outs continues to be balanced.

The Company's investment policy

The Company's investment policy is to invest in private equity funds that operate predominantly in Europe. The Company has the flexibility to invest up to 20% of its gross assets in funds that operate outside Europe. At present only two fund investments, Pomona Capital V and Coller International Partners IV, which are both secondary funds, principally invest outside Europe. These funds represent 8% of the Company's investment portfolio. The Company invests only in private equity funds, but occasionally it may hold direct private equity investments or quoted securities as a result of in specie distributions from its portfolio of fund investments.

The principal focus of the Company is to invest in the leading European private equity funds that invest in buy-outs, typically having an enterprise value of between €100 million and €500 million (approximately £70 million – £350 million sterling equivalent), and in expansion capital. These segments of the private equity market are ones that the Manager believes have offered, and will continue to offer, more attractive returns.

The aim is to build a portfolio of private equity fund interests diversified by country, industry sector, stage and size of investment. The objective is for the portfolio to comprise around 35 "active" fund investments. As at 30 September 2004 the Company had £150.3 million (30 September 2003 – £126.9 million) invested in a total of 30 private equity funds (2003 – 30 funds). The split of the portfolio by type of private equity fund is set out in the pie chart.

Table 1

Movement in net assets	Unquoted portfolio £'000	AAA, cash and other net assets £'000	Total net assets £'000	NAV per ordinary share (p)
Opening balance	**126,867**	**22,066**	**148,933**	**93.6**
Draw downs	39,919	(39,919)	—	
Opening cost of investment realisations during the period	(26,485)	26,485	—	
Realised gains on unquoted	—	11,733	11,733	
Income earned on unquoted	—	3,508	3,508	
Realised gains and income	—	1,473	1,473	
Unrealised gains in the period at constant exchange rates	12,488	—	12,488	
Fund investments wound up	—	(1,156)	(1,156)	
Impact of foreign exchange rate movement	(2,485)	(1,473)	(3,958)	
Expenses and tax incurred	—	(2,482)	(2,482)	
Recommended dividend	—	(1,910)	(1,910)	
Closing balance	**150,304**	**18,325**	**168,629**	**105.9**

Details of all of the Company's private equity fund investments, and more detailed information on the thirty largest underlying portfolio companies, can be found on pages 12 and 15 respectively.

Investment performance

As at 30 September 2004 the value of the Company's portfolio of private equity fund interests was £150.3 million (30 September 2003 – £126.9 million) which, together with its money market holdings and current assets less liabilities, resulted in the Company having total net assets of £168.6 million (30 September 2003 – £148.9 million). This represented an NAV of 105.9p (30 September 2003 – 93.6p). A breakdown of the £19.7 million movement in the Company's net assets during the year is detailed in Table 1.

Type of fund (% of 30 September 2004 valuation)

Secondary 8%

Balanced 7%

Venture 1%

Buy out & development capital 84%

The valuation of the Company's private equity fund interests was carried out by the Manager and approved by the Board in accordance with the accounting policies set out on page 27. In undertaking the valuation the Company used the most recent valuation of each fund prepared by the relevant fund manager, adjusted where necessary for subsequent cash flows. The fund valuations are prepared generally in accordance with either the European Private Equity and Venture Capital Association's or the British Venture Capital Association's valuation guidelines. Consequently, such valuations are prepared on a relatively conservative basis and should be at a discount to comparable listed companies.

Of the 30 private equity funds in which the Company is invested, 24 of the funds, or 92.2% of the portfolio by value, were valued by their fund managers as at 30 September 2004 and 99.7% of the portfolio by value was valued no earlier than 30 June 2004. The Manager believes this use of timely valuation information is important. In undertaking the valuation the Board did not have recourse to use its discretion, under the Company's accounting policies, to make downward adjustments to individual fund manager's valuations.

The movement in the value of the Company's portfolio of private equity fund interests during the year was an unrealised gain of £10.0 million (2003 – loss of £2.3 million), comprising a £12.5 million gain at constant foreign exchange rates and a £2.5 million foreign exchange loss.

During the year sterling appreciated against both the euro and dollar by 2.1% and 8.9% respectively. The closing euro/sterling foreign exchange rate as at 30 September 2004 was £1/€1.4570 (30 September 2003 – £1/€1.4267), and the closing dollar/sterling foreign exchange rate as at 30 September 2004 was £1/$1.8096 (30 September 2003 – £1/$1.6614). As at the year end, the Company had £171.3 million of gross assets, of which £78.6 million (sterling equivalent) comprised euro denominated assets (30 September 2003 – £72.1 million (sterling equivalent)), and £35.5 million (sterling equivalent) comprised dollar denominated assets (30 September 2003 – £27.2 million (sterling equivalent)).

The unrealised gains on the portfolio largely arose from an improving macro-economic environment across Europe. Consequentially, the underlying investee companies experienced better trading conditions and cash flow generation. In addition, certain sectors have seen an increase in comparable listed valuation multiples which, even after any applicable discount, has resulted in increases in the valuation of underlying portfolio companies.

Details of the valuation and the cost of each respective fund interest held by the Company as at 30 September 2004 are set out on page 12.

As at 30 September 2004 the Company's aggregate cash and money market holdings were £20.9 million (30 September 2003 – £23.1 million), of which £20.7 million (30 September 2003 – £22.8 million) was held in a selection of AAA rated money market funds and £0.2 million (30 September 2003 – £0.3 million) was held in bank deposits and cash at bank. As a result of the over-commitment strategy being pursued by the Company, it is hoped that the remaining cash and money market holdings will continue to decline.

Distributions, gains and income

During the year ended 30 September 2004 the Company's portfolio of 30 private equity fund interests generated aggregate distributions of £40.6 million (year ended 30 September 2003 – £13.6 million), comprising realised gains of £11.7 million (year ended 30 September 2003 – £2.5 million) and income of £3.5 million (year ended 30 September 2003 – £0.9 million). This significantly higher level of distributions reflected a stronger European mergers and acquisitions market.

Private equity managers are using a variety of routes to exit investments and the distributions received by the Company included proceeds from trade sales, flotations, re-capitalisations and secondary buy-outs. Of the total distributions of £40.6 million, approximately £9.8 million resulted from the re-capitalisation of private equity investments, which largely returns the cost of the investment with little associated realised gain or income. This had the affect of lowering the average return on the Company's acquisition cost of realised investments to 1.6 times. Excluding distributions resulting from re-capitalisations, the average return on the Company's acquisition cost of realised investments would have risen to 1.8 times.

The largest distributions, gains and income broken down by fund received during the year are set out in Table 2. The most significant individual distributions were:

1. £4.2 million from The Alchemy Investment Plan following the sale of Riverdeep, an Irish publisher of educational software;
2. £2.9 million from Third Cinven Fund following the sale of The Unique Pub Company, a UK pub company;
3. £2.1 million from the Candover 1997 Fund following the sale of shares after the successful flotation of Inveresk Research, a Scottish/Canadian clinical research company;
4. £1.6 million from Apax Europe IV following the sale of shares after the successful flotation of Yell, the UK yellow pages company;
5. £1.1 million from the Candover 1997 Fund following the sale of Clondalkin, an Irish/Dutch specialty packaging company; and
6. £2.2 million in aggregate from CVC Europe II and CVC Europe III following the sale of Cementbouw, a Dutch producer and distributor of building materials.

Commitments

As reported in the Chairman's Statement, the Company made no new fund commitments during the year ended 30 September 2004. Since the Company's listing in May 2001, aggregate new commitments of £215.9 million had been made to 12 private equity funds.

The objective is for the Company to become fully invested on a cash basis. This requires estimates of the speed and size of distributions from investee funds, as well as projections of their rate of draw downs. Given the Company's current cash position and the Manager's view on projected cash flows, the Manager has recommended that the Company starts to make new fund commitments. Since 30

Table 2

Largest distributions during the year	Type of Fund	Aggregate distributions £m	Aggregate realised gains £m	Aggregate income received £m
The Alchemy Investment Plan	Buy-out	5.8	1.8	0.5
Candover 1997 Fund	Buy-out	5.4	2.5	0.7
Third Cinven Fund	Buy-out	4.7	1.4	0.7
CVC Europe II	Buy-out	4.2	0.9	0.5
CVC Europe III	Buy-out	3.3	1.0	0.2
Charterhouse VI	Buy-out	2.4	0.1	0.3
Total of largest distributions		**25.8**	**7.7**	**2.9**
Total of all distributions during the year		**40.6**	**11.7**	**3.5**

September 2004 the Company has made two new fund commitments totalling £20.6 million: £10.3 million (€15 million) was committed to the Industri Kapital 2003 Fund, a buy-out fund focusing on the Nordic region, and £10.3 million (€15 million) to Apax Europe VI, a pan-European balanced fund.

In line with the Company's intention at the time of committing to The Alchemy Investment Plan to commit up to £30 million to this fund, the Company cancelled its £10 million annual commitment to the fund with effect from 30 June 2004. The Alchemy Investment Plan, unlike the Company's other fund investments, is an annual fund.

Draw downs

The Company funded draw downs of £39.9 million during the year ended 30 September 2004 (30 September 2003 – £52.6 million). The level of draw downs from the portfolio of fund interests has remained healthy, with the decrease over the previous financial year a result of a quieter first quarter in 2004 across most of the European private equity market.

The private equity funds to which the Company paid the largest draw downs during the year are set out in Table 3. The most notable draw downs by fund and the underlying investments funded by them were:

1. £3.0 million by CVC Europe III to fund the acquisition of The Automobile Association, a UK motoring and insurance organisation;
2. £3.0 million by Advent Global Private Equity IV to fund the acquisitions of Vron, a Dutch radio broadcaster, and Parques Reunidos, a Spanish leisure group;
3. £2.4 million by CVC Europe III to fund the acquisition of Debenhams, a UK department store group;
4. £2.3 million by Coller International Partners IV to fund the acquisition of a portfolio of private equity fund interests from Abbey National;
5. £2.2 million by The Alchemy Investment Plan to the fund the acquisition of Swift Advances, a UK specialist lender;
6. £2.0 million by Advent Global Private Equity IV to fund the purchase of Sportfive, a football marketing and broadcasting rights company operating in France and Germany;
7. £1.8 million by Charterhouse VII to fund the acquisition of Autobar, a Dutch vending and food services company; and
8. £1.8 million by Duke Street Capital V to fund the acquisition of Accantia, a UK health products company.

Diversification

The Board has agreed diversification limits with the Manager regarding the Company's net asset and commitment exposure to both individual private equity funds and their managers. In operating within these diversification limits, the Manager monitors and updates the Company's exposure to the portfolio of underlying investments held by the different private equity funds in which the Company is invested. As reported above, the Company was invested in 30 different private equity funds as at 30 September 2004, which collectively had interests in a total of 366 underlying investments (30 September 2003 – 30 funds and 347 underlying investments).

Monitoring the underlying investments held by the different private equity funds allows the Manager to track the Company's exposure by

Table 3

Largest draw downs during the year	Type of fund	Net draw downs £m
Advent Global Private Equity IV	Buy-out	6.8
Barclays Private Equity European Fund	Buy-out	4.9
The Alchemy Investment Plan	Buy-out	4.9
Duke Street Capital V	Buy-out	3.7
Coller International Partners IV	Buy-out	3.6
CVC Europe III	Buy-out	3.6
Total of largest draw downs		**27.5**
Total of all draw downs during the year		**39.9**

geography, industrial sector, maturity of investment and valuation methodology employed by the relevant fund managers in valuing the underlying investments. Such information is used by the Manager in reviewing the overall exposure of the Company's portfolio, in assisting it to make new investment decisions and in having a better understanding of the timing of prospective cash flows.

As at 30 September 2004 the Company's £150.3 million of private equity fund interests were diversified as shown on page 10.

The pie charts demonstrate the broad diversification that applies by geography and by sector within the Company's underlying portfolio of investments. As the portfolio matures there is an increasing number of investments in the one to three year category. Many of the investments in this category were made in an attractive environment of lower prices and the Manager believes that these investments will drive the valuation of the portfolio over the next two to three years. Finally, the valuation pie chart illustrates the conservative basis of valuation used by fund managers in valuing their underlying investments, with 39% of investments at cost or written down value. In addition, those investments valued on an earnings basis are valued at a discount to comparable listed companies.

Prospects

The Manager is optimistic about the prospects for the Company's portfolio of private equity investments. The improving European macro-economic environment should assist trading and cash flow at many of the underlying investee companies. Accordingly, the Manager believes the trend of unrealised value accretion will continue. The increased level of distributions is expected to be maintained as the managers of private equity funds take advantage of greater European mergers and acquisitions activity and more stable financial markets. As regards draw downs, private equity managers are reporting an increasing level of deal flow.

Standard Life Investments
(Private Equity) Limited

26 November 2004

Manager's Review

Geographic exposure (% of 30 September valuation)

2004

Benelux 7%
France 10%
United States 6%
Spain 4%
Scandinavia 3%
Others 3%
Germany 10%
United Kingdom 57%

2003

Benelux 13%
United States 4%
Spain 2%
Scandinavia 3%
France 11%
Others 5%
Germany 8%
United Kingdom 54%

Sector exposure (% of 30 September valuation)

2004

Secondary 8%
Financials 6%
Cyclical consumer goods 8%
Information Techology 6%
General industrials 4%
Utilities 1%
Basic industries 9%
Non-cyclical consumer goods 13%
Services 45%

2003

Secondary 4%
Financials 6%
Cyclical consumer goods 11%
Information Techology 7%
General industrials 6%
Basic industries 10%
Non-cyclical consumer goods 13%
Services 43%

Maturity exposure (% of 30 September valuation)

2004

3-5 years 11%
>5 years 14%
<1 year 22%
1-3 years 53%

2003

3-5 years 23%
>5 years 9%
<1 year 39%
1-3 years 29%

Valuation exposure (% of 30 September valuation)

2004

Cost 31%
Written down 8%
Quoted 2%
Subsequent 3rd party investment 2%
Earnings/ NAV 57%

2003

Written down 10%
Quoted 2%
Subsequent 3rd party investment 1 %
Earnings/ NAV 34%
Cost 53%

Historical Summary

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

Valuation movements

Unquoted investments	Opening valuation £m	Draw downs £m	Return of cost £m	Unrealised movement £m	Closing valuation £m
Period to 30 September 2001	80.7	5.3	(6.3)	(8.1)	71.6
Six months to 31 March 2002	71.6	8.8	(2.8)	(1.0)	76.6
Six months to 30 September 2002	76.6	27.2	(7.6)	(9.5)	86.7
Six months to 31 March 2003	86.7	24.6	(3.9)	(1.3)	106.1
Six months to 30 September 2003	106.1	28.0	(6.3)	(0.9)	126.9
Six months to 31 March 2004	126.9	18.9	(10.4)	1.1	136.5
Six months to 30 September 2004	136.5	21.0	(16.1)	8.9	150.3

Realised gains and income

Unquoted investments	Distributions £m	Realised gain/loss £m	Realisation Income £m	MOI* x
Period to 30 September 2001	7.5	1.2	—	1.19
Six months to 31 March 2002	4.0	1.0	0.2	1.43
Six months to 30 September 2002	11.5	2.9	1.0	1.51
Six months to 31 March 2003	5.0	0.3	0.8	1.28
Six months to 30 September 2003	8.6	2.2	0.1	1.37
Six months to 31 March 2004	16.9	6.3	1.3	1.82
Six months to 30 September 2004	23.7	5.4	2.2	1.47

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

Outstanding fund commitments

Unquoted investments	Opening Outstanding Commitments £m	New Commitments £m	Drawdowns £m	Closing Outstanding Commitments £m
Period to 30 September 2001	18.4	104.4	(5.3)	117.4
Six months to 31 March 2002	117.4	30.0	(8.8)	135.0
Six months to 30 September 2002	135.0	83.3	(27.2)	191.0
Six months to 31 March 2003	191.0	—	(24.6)	175.3
Six months to 30 September 2003	175.3	—	(28.0)	141.6
Six months to 31 March 2004	141.6	—	(18.9)	116.1
Six months to 30 September 2004	116.1	—	(21.0)	92.1

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

Fund Investments

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

Year of commitment	Fund	Type	Number of investments	Valuation date*	Outstanding commitment £000	Cost £000	Valuation £000	% of NAV
2001	The Alchemy Investment Plan	Buy-out	14	30.09.2004	-	15,280	17,505	10.4
2001	Advent Global Private Equity IV	Buy-out	14	30.09.2004	6,589	13,727	15,414	9.1
2001	CVC Europe III	Buy-out	16	30.09.2004	6,168	12,522	13,420	8.0
2002	Barclays Private Equity European Fund	Buy-out	26	30.09.2004	4,963	10,693	12,788	7.6
2001	Candover 2001 Fund	Buy-out	8	30.09.2004	9,130	11,836	9,266	5.5
1999	CVC Europe II	Buy-out	32	30.09.2004	987	6,127	9,009	5.3
1997	Charterhouse VI	Buy-out	6	30.09.2004	795	5,420	8,592	5.1
2002	Duke Street Capital V Fund	Buy-out	8	30.09.2004	6,391	10,489	8,469	5.0
1999	Apax Europe IV	Balanced	45	30.09.2004	824	12,319	7,573	4.5
2001	MUST 4	Buy-out	13	30.09.2004	6,718	7,407	7,516	4.4
2002	Pomona Capital V Fund	Secondary	43	30.06.2004	3,410	7,186	6,644	3.9
2001	Third Cinven Fund	Buy-out	7	30.09.2004	13,364	6,336	6,370	3.8
2002	Charterhouse VII	Buy-out	2	30.09.2004	17,278	3,692	5,250	3.1
1998	Phildrew Fifth	Buy-out	11	30.09.2004	193	9,340	4,999	3.0
2002	Coller International Partners IV	Secondary	17	30.09.2004	11,174	3,769	4,721	2.8
1997	HEV III	Buy-out	5	30.09.2004	—	2,087	2,560	1.5
2001	SEP II	Venture capital	19	30.06.2004	2,654	2,248	1,898	1.1
1997	Apax UK VI	Balanced	13	30.09.2004	—	4,876	1,798	1.1
1996	The Primary Capital No.1 Fund	Buy-out	6	30.06.2004	175	2,263	1,695	1.0
1989	Apax European Buy-in Fund	Buy-in	1	30.06.2004	—	2,984	868	0.5
1995	Granville Private Equity Fund V	Buy-out	5	30.09.2004	550	2,109	834	0.5
1998	Candover 1997 Fund	Buy-out	3	30.09.2004	632	1,485	704	0.4
1995	Apax UK V	Balanced	10	30.09.2004	—	2,094	496	0.3
1997	The Global Rights Development Fund	Development	4	31.03.2004	—	861	446	0.3
1990	Apax CR III	Balanced	4	30.09.2004	—	460	432	0.3
1995	Phildrew Fourth	Buy-out	6	30.09.2004	—	1,443	407	0.2
1992	Midland Montagu Investissement FCPR	Buy-out	4	30.09.2004	—	586	273	0.2
1996	Scottish Equity Partnership	Venture capital	19	30.09.2004	24	793	212	0.1
1995	Morgan Grenfell Equity Partners IV	Buy-out	5	30.06.2004	109	776	123	0.1
1994	Charterhouse V	Buy-out	0	30.09.2004	19	46	22	0.0
Total portfolio investments†			366		92,147	161,254	150,304	89.1
"AAA" rated money market funds							20,663	12.3
Current assets less current liabilities							(2,338)	(1.4)
Shareholders' funds							168,629	100.0

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

† the 366 underlying investments represent holdings in 350 separate companies.

The Alchemy Investment Plan
The Alchemy Investment Plan is a £255 million annual rolling private equity fund. The fund is managed by Alchemy Partners, based in London, and is structured as a rolling investment where investors build their portfolio from the date of commitment. The manager was established in 1997 by Jon Moulton and a number of partners with industrial and private equity experience. The strategy is to invest in complex transactions and turnaround situations in the UK and Ireland, and the manager is a leading player in UK public to private transactions.

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

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

Barclays Private Equity European Fund
Barclays Private Equity European Fund is a €600 million private equity fund focused on European middle market buy-outs. The fund is managed by Barclays Private Equity Limited, the private equity arm of Barclays PLC. The manager operates from offices in London, Paris, Munich, Milan, Birmingham, Manchester and Reading. The majority of investments will be sourced from the UK, where there are four regional offices, while the French team has been in existence for over 10 years and is one of the most established players in that market.

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

CVC Europe II
CVC European Equity Partners II is a €2.5 billion private equity fund focused on European buy-outs. The fund is managed by CVC Capital Partners Europe Limited ('CVC'). CVC is a leading pan-European manager of buy-outs with a long track record and operates from offices in London, Paris, Frankfurt, Amsterdam, Brussels, Copenhagen, Madrid, Stockholm, Zurich and Milan. CVC undertakes medium and large sized buy-out transactions where the target companies have annual sales in excess of €50 million. The fund is now fully invested in a broad range of industries and sectors across Europe.

Ten Largest Fund Investments

Charterhouse VI

Charterhouse Capital Partners VI is a £800 million private equity fund focused on European buy-outs. *The fund is managed by* Charterhouse Development Capital Limited, one of the oldest private equity firms in the UK. The manager operates across western Europe from its London office and has a long track record of delivering superior returns for investors. The investment strategy is to target large corporate buy-outs with an equity requirement of €200-450 million per transaction. Charterhouse prefers to invest the equity requirement for each deal on its own, or together with its limited partners, rather than join syndicated transactions. The fund is now fully invested in a portfolio diversified across various industries and sectors.

Duke Street Capital V Fund

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

Apax Europe IV

Apax Europe IV is a €1.8 billion balanced private equity fund focused on the European market. *The fund is managed by Apax Partners* & Co. Ventures, one of the leading and most experienced private equity managers in Europe, and part of the Apax Partners international network. The manager operates from offices in London, Munich, Milan, Stockholm, Tel Aviv and Madrid and manages in excess of €7 billion. The balanced strategy spans early stage, expansion capital, special situations and buy-outs, and targets Apax Partners' six chosen sectors of information technology, telecommunications, healthcare, media, financial services and retail.

MUST 4

MUST 4 is a £367 million private equity fund focusing on European buy-outs. It is managed by HgCapital, which started investing in private equity in 1983 under the name Mercury Private Equity. The focus of MUST 4 is small and middle market buy-outs and the portfolio is expected to comprise between 20 and 30 companies, with target enterprise values of between £25m and £250m. Investments will be concentrated in the UK and Germany, where HgCapital has offices.

Top 30 Underlying Investments

The table below summarises the top 30 underlying investments, by value, in the Company's portfolio of private equity funds as at 30 September 2004. The valuations are gross, before any carry provision.

Entity	Description	Fund	% of total NAV
Coral Eurobet	Licensed bookmakers	Charterhouse VI & VII	3.06
Springer	Publisher of academic & scientific journals	Candover 2001, Third Cinven	2.44
Gala	Bingo & casino operator	Candover 2001, Third Cinven	2.33
Lucite International	Acrylics manufacturer	Charterhouse VI	2.08
Focus Wickes	Building merchant & DIY retailer	HEV III	1.77
Autobar	Vending machine supplier	Charterhouse VII	1.54
Esporta	Health club operator	Duke Street V	1.46
The Automobile Association	Motoring and insurance services	CVC III	1.45
Regus	Provider of serviced offices & business suites	Alchemy	1.41
Swift Advances	Underwriting, collection and servicing of brokers	Alchemy	1.32
Cedar	Services & systems integration	Alchemy	1.30
Alcentra	Independent fund management group	Alchemy	1.28
Ex-Abbey National investments	Secondary fund interests	Coller IV	1.27
Aviagen	Broiler chicken breeding company	Advent	1.22
FirstAssist	Provider of healthcare insurance	Barclays	1.17
Tussauds Group	Leisure operator	Charterhouse VI	1.15
Hogg Robinson	Business services group	Phildrew V	1.12
Viatris	Pharmaceutical company	Advent	1.12
Telediffusion de France	Transmission towers operator	Charterhouse VI	1.11
Parques Reunidos	Outdoor leisure parks	Advent	1.09
Sportfive	Leading European sports rights agency	Advent	1.04
Denby	Manufacturer of tableware	Phildrew V	1.03
Kappa Packaging	Fibre board packaging	CVC II & III	1.01
Accantia	Health, beauty & disposable hygiene products	Duke Street V	0.97
Open & Direct	Retail lending & insurance broking	Alchemy	0.88
Viterra Energy Services	Heat & water metering	CVC III	0.87
Danske Traelast	Building merchant & DIY retailer	CVC III	0.83
Blagden Packaging	Supplier of steel drum packaging	Alchemy	0.81
Halfords	Retailer of car parts	CVC II & III	0.77
Silver Cup Partners, L.P.	Secondary fund interests	Pomona V	0.77
Total of top 30 underlying investments			39.67

Abbreviations

Advent	—	Advent Global Private Equity IV
Alchemy	—	The Alchemy Investment Plan
Barclays	—	Barclays Private Equity European Fund
Candover 2001	—	Candover 2001 Fund
Charterhouse VI & VII	—	Charterhouse VI and Charterhouse VII
Coller IV	—	Coller International Partners IV
CVC II and III	—	CVC Europe II and CVC Europe III
Duke Street V	—	Duke Street Capital V Fund
Phildrew V	—	Phildrew Fifth
Pomona V	—	Pomona Capital V Fund
Third Cinven	—	Third Cinven Fund

Board of Directors

Scott Dobbie CBE

Chairman

Scott Dobbie (65), Chairman, began his career at Wood Mackenzie & Co. and worked for 30 years at a senior level at this and successor companies before retiring in 1999. He is the chairman of the Securities and Investment Institute and The Edinburgh Investment Trust plc, a director of Scottish Financial Enterprise and Premier Oil plc, and a commissioner of the Jersey Financial Services Commission. He is also a senior adviser to Deutsche Bank.

Hamish Buchan*

Director

Hamish Buchan (60), started with Wood Mackenzie & Co. in 1969, where he was appointed a partner in 1979. Following his retirement in 1999, he has worked as a consultant in the investment trust sector and is currently a deputy chairman of the Association of Investment Trust Companies and chairman of the Statistics Committee. He is also a non-executive director of Aberforth Smaller Companies Trust plc, Collective Assets Trust plc, JP Morgan Fleming American Trust plc (chairman), Personal Assets Trust plc, Shires Income Trust plc and The Scottish Investment Trust plc.

Simon Edwards

Director

Simon Edwards (41), is chief executive of Midas Capital Partners. His earlier experience included three years with CSFB in London, three years as equity investment manager for National Provident Fund in New Zealand, three years with AMP Society, also in New Zealand, and seven years with Merseyside Pension Fund. He is a non-executive director of London Scottish Bank PLC and chairman of Parkhaven Trust.

George Kershaw

Director

George Kershaw (52), started his career in stockbroking and joined de Zoete & Bevan in 1977, becoming a partner in 1984. He became head of global equity sales at BZW and following the acquisition by CSFB became head of the investment trust team from 1996 to 2000. He is now a director of Trust Associates Ltd, an independent adviser in the investment trust sector. He is a non-executive director of Royal London Growth & Income Trust PLC and is currently a deputy chairman of the Association of Investment Trust Companies.

Mark Tyndall

Director

Mark Tyndall (46), is chief executive of Artemis Investment Management Limited, with overall responsibility for investment strategy. Prior to founding Artemis in 1997, he spent thirteen years at Ivory & Sime plc where he was the main board director responsible for Ivory & Sime Development Capital and, from 1993, head of UK equities. He is also a non-executive director of Cairn Energy plc.

** Hamish Buchan has been nominated as the senior independent director and Chairman of the Audit Committee.*

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

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

All of the Directors were appointed on 25 April 2001.

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

The Company carries on business as an investment trust and has been approved as such by the Inland Revenue for the year ended 30 September 2003, subject to their rights to further enquiry under the Finance Act 1998. The Company has subsequently conducted its affairs so as to enable it to continue to seek such approval.

The Company is an investment company within the terms of section 266 of the Companies Act 1985.

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

Review of activities
During the year the Company followed the normal activities of an investment trust. Details of these are given in the Chairman's Statement and the Manager's Review.

Share capital
As at 30 September 2004, the Company's issued share capital was £353,673 divided into 159,150,000 fully paid up ordinary shares, 14,835,625 founder A shares and 14,835,625 founder B shares partly paid up as to 0.1p per share and 2,664,375 founder A shares and 2,664,375 founder B shares partly paid up as to 0.11p per share.

Standard Life Investments Limited and individual members of the Manager's investment team have been allotted 35,000,000 founder shares which, subject to the performance of the Company, are convertible into a maximum of 10 per cent of the ordinary share capital of the Company as enlarged by conversion. The founder shares are not listed, have restrictions on transferability and do not carry voting rights, except in the case of changes to class rights.

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

The net asset value will be re-based on 1 October 2006 for the purposes of calculating the total return in respect of the second period. There are provisions to extend the management incentive to apply to any further issues of share capital.

Income and final dividend
Income available for dividends was £2,428,000, or 1.53p per ordinary share (30 September 2003 – £1,136,000, or 0.71p per ordinary share). The Directors recommend that a final dividend of 1.20p (30 September 2003 – 0.55p) per ordinary share be paid on 3 February 2005 to shareholders on the Company's share register as at the close of business on 7 January 2005.

Directors
George Kershaw and Mark Tyndall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election at the Annual General Meeting.

The names of the Directors and their shareholdings in the Company are shown in Table 4.

Table 4

Directors and their shareholdings in the Company	Ordinary shares held as at 30 September 2004	2003
Scott Dobbie	150,000	150,000
Hamish Buchan	25,000	25,000
Simon Edwards	10,000	10,000
George Kershaw	20,000	20,000
Mark Tyndall	5,000	5,000

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

The Company has not been notified of any changes in the Directors' shareholdings between 30 September 2004 and 26 November 2004.

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
Compliance
The Board and the Manager are committed to high standards of corporate governance. In July 2003 the Financial Reporting Council issued a revised Combined Code which is mandatory for accounting periods beginning on or after 1 November 2003, effective for the Company's

year end of 30 September 2005. In addition, the AITC issued a Code of Corporate Governance ('AITC Code') in August 2003. The Board has enhanced its corporate governance procedures, which it believes are appropriate for an investment trust company. These procedures will ensure that the Company will comply with the relevant provisions of the revised Code and, where appropriate, with the provisions of the AITC Code. A number of these new procedures are included in this report.

Table 5

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

**One meeting as a Director, one meeting as an observer.*

The Board is accountable to the Company's shareholders for good corporate governance and this statement describes how the Company applies the principles identified in the 1998 Combined Code appended to the Listing Rules of the Financial Services Authority.

The Board believes that the Company has complied throughout the accounting period with the provisions set out in Section 1 of the 1998 Combined Code, except for the provision which relates to the combination of the roles of the Chairman and Chief Executive. This provision does not apply as the Company has no executive directors.

Directors

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

The Board presently consists of five non-executive Directors, one of whom is Chairman. All of the Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Profiles of the Directors appear on page 16. The Directors have the requisite business and financial experience to enable the Board to provide effective strategic leadership and proper governance of the Company. The senior independent director is Hamish Buchan.

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

Table 5 sets out the number of formal Directors' and Committee meetings attended by each Director.

Nominations Committee

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

Any future appointments of new Directors will be considered by the Nominations Committee, taking into account the need to maintain a balanced board. New Directors appointed to the Board will be given an induction meeting with the Manager and be provided with all relevant information regarding the Company and their duties as a Director. Thereafter, regular briefings are provided on changes 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 issues and developments relevant to investment trusts.

The Company's Articles of Association provide that a Director appointed during the period is required to retire and seek election by shareholders at the next Annual General Meeting. The Articles of Association also require that one third of the non-executive Directors retire by rotation each year and seek re-election at the Annual General Meeting and also that every Director submit 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.

Directors with more than nine years service will be required to submit themselves for annual re-election.

The Board supports the re-elections of Mr Kershaw and Mr Tyndall, who are due to retire by rotation at this year's Annual General Meeting, and recommends their re-election to shareholders. Mr Kershaw is a deputy chairman of the AITC and has considerable experience of the investment trust sector. Mr Tyndall has extensive knowledge of the investment management industry and, in particular, the private equity sector.

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

Directors' remuneration is considered by the Board and, therefore, a separate remuneration committee has not been established. Details of remuneration are contained within the Directors' Remuneration Report on page 21.

Performance evaluation

The Board has agreed a procedure for the formal evaluation of its performance and that of its Committees and individual directors, to enable the Board to comply with the requirement of the new Code for the year ending 30 September 2005.

Communication with shareholders

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

All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Board hopes that as many shareholders as possible will be able to attend the meeting.

Accountability and audit

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

The Audit Committee meets at least twice a year and considers reports from the Independent Auditors, the Manager and the Administrator. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies, reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management), and making recommendations to the Board regarding the appointment and independence of the external auditor and the objectivity and effectiveness of the audit process, with particular regard to the level of non-audit fees, if any. Shareholders have the opportunity at each Annual General Meeting to vote on the election of the external auditors for the forthcoming year.

The respective responsibilities of the Directors and the Independent Auditors in connection with the financial statements appear on pages 22 and 23.

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

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks and that it has been in place for the year ended 30 September 2004 and up to the date of approval of the annual report and accounts. It is regularly reviewed by the Board and accords with the internal control guidance for Directors set out in the 1998 Combined Code.

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

Management Engagement Committee

All of the Directors are members of the Management Engagement Committee and Scott Dobbie is the Chairman. The Committee reviews the performance of both the Manager and the Administrator and their compliance with the terms of the management and administration agreements respectively. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the

Committee on an annual basis. The management agreement is terminable on not less than 12 months' written notice. The Manager's appointment may be terminated by a lesser period of notice, although (save in some exceptional circumstances) compensation in lieu of notice would be payable by the Company to the Manager.

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

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

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

Substantial share interests
As at 26 November 2004 the substantial interests in the Company's ordinary share capital which had been notified to the Company are shown in Table 6.

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

Table 6

Substantial share interests	No. of ordinary shares	%
The Standard Life Assurance Company	81,565,718	51.2
Foreign & Colonial Asset Management PLC	19,000,000	11.9
Including: Foreign & Colonial Investment Trust PLC	8,000,000	5.0
British Assets Trust plc	5,000,000	3.1
The Alliance Trust PLC	6,000,000	3.8
Oxfordshire County Council	5,000,000	3.1

Payment policy
The Company's payment policy is to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to business taking place. The Company had no trade creditors at either 30 September 2004 or 30 September 2003.

Independent Auditors
A resolution to reappoint PricewaterhouseCoopers LLP and authorise the Directors to agree their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Company's authority to buy back shares
During the financial year no ordinary shares were bought back by the Company. The current authority of the Company to make market purchases of up to 14.99 per cent of the issued ordinary shares expires at the end of the Annual General Meeting and Resolution 7, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of 24 July 2006 or the Annual General Meeting in 2006. The price paid for ordinary shares will not be less than the nominal value of 0.2p per share nor more than 5 per cent above the average of the market values for the ordinary shares for the five business days before the ordinary shares are purchased.

By order of the Board Valerie Mackenzie

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 26 November 2004

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

The law requires the Company's Independent Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Independent Auditors' opinion is included in their report on page 23.

Table 7 Directors' fees excluding VAT and NI (audited)	2004 £	2003 £
Scott Dobbie	25,000	25,000
Hamish Buchan	16,250	15,000
Simon Edwards	15,000	15,000
George Kershaw	15,000	15,000
Mark Tyndall	15,000	15,000
Total	**86,250**	**85,000**

Remuneration committee

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

Policy on Directors' fees

The Company's policy is to remunerate Directors at a rate which both attracts and retains individuals of the necessary calibre and experience, and is comparable to that paid by other companies with similar characteristics. It is intended that this policy will continue for the year ending 30 September 2005 and for subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association, and Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

The Board carried out a review of the level of Directors' fees during the year. It concluded that the scope of its work, and the levels of comparable fees, have increased since the Company's launch in 2001 when the current fees were determined. It was agreed, therefore, that Directors' fees should be increased with effect from 1 October 2004 to £29,000 per annum for the Chairman and to £17,500 for each Director. Mr Buchan's fee would be increased to £20,500 per annum to reflect the additional work resulting from his Chairmanship of the Audit Committee. All Directors were Directors at the time of the review.

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that a Director shall retire and be subject to re-election at the first annual general meeting after their appointment, and at least every three years thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Total shareholder return

The graph presents for the period from launch, 29 May 2001, to 30 September 2004 the total shareholder return, assuming all dividends were reinvested, for a holding in the Company's shares, compared to the total shareholder return on a notional investment made up of shares of the same kinds and number as those by reference to which the FTSE All-Share and MSCI Europe (in sterling) indices are calculated. These indices are chosen for comparative purposes only.

Total cumulative ordinary shareholder return for the period since launch to 30 September 2004

Directors' emoluments for the year (audited)

The Directors who served during the year received the emoluments, in the form of fees, as described in Table 7.

Approval

The Directors' Remuneration Report on page 21 was approved by the Board of Directors on 26 November 2004.

By order of the Board

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 26 November 2004

Statement of Directors' Responsibilities

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

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

The Directors confirm that they comply with all the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and to detect fraud and other irregularities.

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

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

By order of the Board

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 26 November 2004

To the members of Standard Life European Private Equity Trust PLC

We have audited the financial statements which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement and the related notes on pages 27 to 35 to the financial statements. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Manager's Review, the Directors' Report and the unaudited part of the Directors' Remuneration Report.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 30 September 2004 and of its total return and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditor

Edinburgh, 26 November 2004

Statement of Total Return

for the year ended 30 September 2004

	Notes	2004 Revenue £000	2004 Capital £000	2004 Total £000	2003 Revenue £000	2003 Capital £000	2003 Total £000
GAINS ON INVESTMENTS	8	—	20,143	20,143	—	5,604	5,604
Currency (losses)/gains on cash balances	15	—	(31)	(31)	—	47	47
Income from investments	2	3,887	—	3,887	2,036	—	2,036
Interest receivable on cash		89	—	89	109	—	109
Investment management fee	3	(129)	(1,162)	(1,291)	(118)	(1,063)	(1,181)
Administrative expenses	4	(360)	—	(360)	(391)	—	(391)
RETURN ON ORDINARY ACTIVITIES *BEFORE INTEREST AND TAXATION*		*3,487*	*18,950*	*22,437*	*1,636*	*4,588*	*6,224*
Interest	15	(19)	(172)	(191)	(12)	(58)	(70)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		3,468	18,778	22,246	1,624	4,530	6,154
Taxation	5	(1,040)	400	(640)	(488)	336	(152)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		2,428	19,178	21,606	1,136	4,866	6,002
Dividend in respect of ordinary shares	6	(1,910)	—	(1,910)	(875)	—	(875)
Transfer to reserves		518	19,178	19,696	261	4,866	5,127
RETURN PER ORDINARY SHARE	7	1.53p†	12.05p	13.58p	0.71p†	3.06p	3.77p
DIVIDEND PER ORDINARY SHARE		1.20p			0.55p		

The revenue column of this statement represents the revenue account of the Company.

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

† Earnings per share - basic and diluted

Balance Sheet

as at 30 September 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
FIXED ASSETS					
Investments	8		170,967		149,683
CURRENT ASSETS					
Debtors	9	71		316	
Cash	19	242		329	
		313		645	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(2,651)		(1,395)	
NET CURRENT LIABILITIES			(2,338)		(750)
TOTAL ASSETS LESS CURRENT LIABILITIES			168,629		148,933
CAPITAL AND RESERVES					
Called up share capital	11		354		354
Share premium	12		77,775		77,775
Special reserve	13		79,148		79,148
Capital redemption reserve	14		1		1
Capital reserve – realised	15		20,011		9,394
Capital reserve – unrealised	16		(10,093)		(18,654)
Revenue reserve	17		1,433		915
TOTAL SHAREHOLDERS' FUNDS			168,629		148,933
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests (ordinary shares)			168,594		148,898
Non-equity interests (founder shares)	11		35		35
			168,629		148,933
NET ASSET VALUE PER EQUITY SHARE	20		105.9p		93.6p

The financial statements on pages 24 to 35 were approved by the Board on 26 November 2004 and were signed on its behalf by:

SCOTT DOBBIE CBE, Chairman

Cashflow Statement

for the year ended 30 September 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		2,415		755
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(191)		(5)
NET CASH OUTFLOW FROM TAXATION			(264)		(1,014)
FINANCIAL INVESTMENT					
Purchase of investments	8	(52,181)		(61,158)	
Disposal of investments	8	51,040		63,941	
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENT			(1,141)		2,783
ORDINARY DIVIDENDS PAID			(875)		(1,910)
NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			(56)		609
FINANCING					
Expenses of issue		—		(605)	
Buyback of ordinary shares		—		(185)	
NET CASH OUTFLOW FROM FINANCING			—		(790)
DECREASE IN CASH	19		(56)		(181)

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied throughout the year, is set out below.

(a) Basis of accounting

The accounts are prepared under the historic cost convention, modified to include the revaluation of fixed asset investments. The accounts have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

(b) Income from investments and interest receivable

Dividends from quoted investments are included in revenue by reference to the date on which the price is marked ex-dividend. Interest on quoted investments and other interest receivable are dealt with on an accruals basis. Income from unquoted investments is included when the right to payment is established.

(c) Investments

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

The Statement of Total Return reflects the total capital gains, both realised and unrealised, while note 8 to the financial statements splits out the realised and unrealised gains. Due to the valuation of the private equity fund interests held by the Company being performed at the fund level, and not at the underlying investment level, and net realised gains only being recognised following transactions advised by the underlying fund manager, the amounts which are accounted for in the movement in unrealised appreciation/depreciation on unquoted investments relate to the difference between the book cost and valuation of the fund investments.

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

(d) Overseas Currencies

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

Rates of exchange to sterling as at 30 September were:

	2004	2003
Euro	1.4570	1.4267
US dollar	1.8096	1.6614

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

(e) Capital Reserve

Realised - Gains and losses on the realisation of investments of a capital nature are dealt with in this reserve. 90% of the investment management fee and any associated tax relief is credited to this reserve.

Unrealised - Unrealised depreciation/appreciation of investments is accounted for in this reserve.

(f) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue account, except where they directly relate to the acquisition or disposal of an investment or the maintenance or enhancement of its value, in which case they are added to the cost of the investment or deducted from the sales proceeds.

The investment management fee and finance costs are allocated 90% to the realised capital reserve and 10% to the revenue account.

(g) Taxation – Deferred taxation is provided for under the provisions of FRS19, 'Deferred Tax' to the extent that assets and liabilities are likely to arise from timing differences. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

	Year to 30 September 2004 £000	Year to 30 September 2003 £000
2 Investment income		
Income from 'AAA' rated money market funds	379	1,133
Other income from unquoted investments	3,508	903
	3,887	2,036
3 Investment management fee		
Investment management fee	1,291	1,181
Charged against capital reserve – realised	(1,162)	(1,063)
	129	118

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

4 Administrative expenses		
Secretarial and administration fee	102	99
Directors' fees	89	88
Auditors' remuneration - all audit related	28	26
Printing and postage	10	12
Legal fees	7	19
Fees and subscriptions	30	31
Loan arrangement fee	—	80
Other expenses	94	36
	360	391

The secretarial and administration fee is payable to Edinburgh Fund Managers plc at the rate of £70,032 (excluding VAT) plus 0.035% of net assets in excess of £100 million per annum, and is adjusted annually in line with the retail prices index. The secretarial and administration agreement between the Company and Edinburgh Fund Managers plc is terminable by either party on three months notice.

The emoluments of the Chairman, who was the highest paid Director, were £25,000 (2003–£25,000). The emoluments of each of the other Directors were £15,000 (2003–£15,000) except for Mr Buchan who received an additional £1,250 as Chairman of the Audit Committee from April 2004.

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

	Year to 30 September 2004 £000	Year to 30 September 2003 £000

5 Taxation

UK corporation tax charge – 30% of return on ordinary activities before tax	1,040	488
Relief to capital reserve – realised	(400)	(336)
	640	152

There is no provision for deferred tax in either period.

There are no differences between the tax on profit on ordinary activities at the standard UK corporation tax rate and the Company's actual current tax charge.

6 Dividend on ordinary shares

Final dividend of 1.20p (2003–0.55p) per ordinary share payable on 3 February 2005.	1,910	875

7 Return per ordinary share

The return per ordinary share is based on the following figures:

Weighted average number of ordinary shares in issue	159,150,000	159,150,000
Revenue return	£2,428,000	£1,136,000
Capital return	£19,178,000	£4,866,000

8 Fixed asset investments

	'AAA' Rated Money Market Funds £000	Unquoted £000	Total £000	2003 Total £000
Opening market value	22,816	126,867	149,683	146,862
Opening unrealised (appreciation)/depreciation	(2,299)	20,953	18,654	18,586
Opening book cost	20,517	147,820	168,337	165,448
Movements in the year:				
Additions at cost	12,262	39,919	52,181	61,158
Disposal of investments	(13,978)	(37,062)	(51,040)	(63,941)
Fund investments wound up	—	(1,156)	(1,156)	—
	18,801	149,521	168,322	162,665
Realised gains on investments	1,005	11,733	12,738	5,672
Closing book cost	19,806	161,254	181,060	168,337
Closing unrealised appreciation/(depreciation)	857	(10,950)	(10,093)	(18,654)
	20,663	150,304	170,967	149,683

	Year to 30 September 2004 £000	Year to 30 September 2003 £000
Gains on investments:		
Net realised gains on investments	12,738	5,672
Fund investments wound up	(1,156)	—
Net unrealised appreciation/(depreciation) on investments	8,561	(68)
	20,143	5,604

9 Debtors

Amounts falling due within one year:		
Accrued income	56	42
Prepayments	15	19
Taxation	—	255
	71	316

10 Creditors: amounts falling due within one year

Taxation	121	—
Management fee	447	375
Secretarial fee	27	25
Sundry creditors	81	55
Proposed final dividend	1,910	875
Loan commitment fee	65	65
	2,651	1,395

11 Called up share capital

	£	£
Authorised:		
160,000,000 ordinary shares of 0.2p	320,000	320,000
17,500,000 founder A shares of 0.2p	35,000	35,000
17,500,000 founder B shares of 0.2p	35,000	35,000
	390,000	390,000
Issued:		
159,150,000 (2003–159,150,000) ordinary shares of 0.2p – fully paid	318,300	318,300
17,500,000 (2003–17,500,000) founder A shares of 0.2p – partly paid	17,687	17,687
17,500,000 (2003–17,500,000) founder B shares of 0.2p – partly paid	17,686	17,686
	353,673	353,673

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

The founder shares carry an entitlement to convert into a maximum of 10% of the ordinary share capital, as enlarged by the conversion, in certain circumstances. Details of the conversion price and rights of the founder shares are set out on page 17.

	Year to 30 September 2004 £000	Year to 30 September 2003 £000
12 Share premium		
Opening and closing balance	77,775	77,775

Court approval was granted 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 (note 13).

13 Special reserve		
Opening and closing balance	79,148	79,148

The special reserve was created with Court approval on 27 September 2001 out of the initial share premium arising on the issue of ordinary shares *on 29 May 2001. The reserve is a distributable reserve and may be applied in any manner as a distribution, other than by way of a dividend.*

14 Capital redemption reserve		
Opening and closing balance	1	1
15 Capital reserve – realised		
Opening balance	9,394	4,460
Net realised gains on sale of unquoted investments	11,733	2,516
Fund investments wound up	(1,156)	—
Net realised gains on sale of 'AAA' rated money market funds	1,005	3,156
Management fee charged to capital	(1,162)	(1,063)
Loan non-utilisation fee charged to capital	(172)	(58)
Tax relief on management and non-utilisation fees above	400	336
Currency (losses)/gains on cash balances	(31)	47
Closing balance	20,011	9,394
16 Capital reserve – unrealised		
Opening balance	(18,654)	(18,586)
Movement in unrealised depreciation on investments	8,847	(2,275)
Fund investments wound up	(1,156)	—
Movement in unrealised appreciation on 'AAA' rated money market funds	(1,442)	2,207
Closing balance	(10,093)	(18,654)

	Year to 30 September 2004 £000	Year to 30 September 2003 £000
17 *Revenue reserve*		
Opening balance	915	654
Return before dividends	2,428	1,136
Final dividend	(1,910)	(875)
Closing balance	1,433	915
18 Reconciliation of net revenue on ordinary activities before taxation to net cash inflow from operating activities		
Net revenue on ordinary activities before taxation	3,487	1,636
Increase/(decrease) in accrued income	(14)	137
Decrease/(increase) in prepayment	4	(7)
Increase in creditors	100	52
Expenses charged to capital reserve – realised	(1,162)	(1,063)
	2,415	755

19 Analysis of changes in net funds during the period

	At 30 September 2004 £000	At 30 September 2003 £000
Opening cash	329	463
Currency movement	(31)	47
Decrease in cash	(56)	(181)
Closing Cash	242	329

20 Net asset value per ordinary share

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

	30 September 2004	30 September 2003
Ordinary shareholders' funds	£168,594,000	£148,898,000
Number of ordinary shares in issue	159,150,000	159,150,000
Net asset value per ordinary share	105.9p	93.6p

	Year to 30 September 2004 £000	Year to 30 September 2003 £000
21 Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	148,933	143,806
Revenue return before dividends	2,428	1,136
Capital gains	19,178	4,866
	170,539	149,808
Dividend in respect of ordinary shares	(1,910)	(875)
Closing shareholders' funds	168,629	148,933
22 Commitments and contingencies		
Outstanding calls on investments	92,147	141,627

This represents commitments made to fund investments remaining undrawn.

23 Parent undertaking and related party transactions

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

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

The Manager is a wholly owned subsidiary of Standard Life and is therefore a related party of the Company. During the year ended 30 September 2004 the Manager charged management fees totalling £1,291,000 (2003–£1,181,000) to the Company in the normal course of business. The balance of management fee outstanding at 30 September 2004 was £447,000 (30 September 2003–£375,000).

No related party transactions were undertaken during the year to 30 September 2004.

24 Risk management, financial assets and liabilities

The following information is given in accordance with Financial Reporting Standard 13, 'Derivatives and Other Financial Instruments' ('FRS 13').

Financial assets and liabilities

As an investment trust, the Company holds assets in the form of financial instruments for its liquidity and in respect of its fixed asset investments, which is typical of equity investing. The assets and liabilities are managed with the overall objective of achieving long-term capital growth for shareholders. Short-term debtors and creditors are excluded from disclosure as allowed by FRS 13.

Risk management

The Company's investments are in private equity funds, typically unquoted limited partnerships. These are valued by their managers in line with EVCA or BVCA guidelines which provide a conservative basis of valuation, with underlying investments usually held at cost for the first year, unless there is reason for them to be written-down. The funds may hold investments that have become quoted and these will be marked to market and discounted to acknowledge any restriction placed on them. Risk is spread over a range of economies and industrial sectors, thereby reducing excess exposure to particular areas. The Manager's investment review and monitoring process is used to identify and, where possible, reduce risk of loss of value in the Company's investments. Surplus funds are invested in 'AAA' rated money market funds, which generate securities income rather than interest in order to meet the income requirements of investment trust status. The money market fund investments are monitored by the treasury team of Standard Life Investments for credit risk and interest rate. The Directors consider that the valuation of assets on the balance sheet represents their fair value.

Notes to the Accounts

Currency risk

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

Currency exposure at 30 September 2004

	Interest Rate %	Local Currency 000s	Foreign Exchange Rate	Sterling Equivalent £000
Unquoted Investments:				
Sterling		49,805	—	49,805
Euro		97,184	1.4570	66,704
US dollar		61,153	1.8096	33,795
'AAA' rated money market funds				
Sterling	4.69	7,200	—	7,200
Euro	1.93	17,280	1.4570	11,860
US dollar	1.37	2,900	1.8096	1,603
Cash and Liquidity:				
Sterling	3.66	157	—	157
Euro	0.38	14	1.4570	9
US dollar	0.47	137	1.8096	76
Total				171,209
Commitments:				
Sterling		11,870	—	11,870
Euro		85,287	1.4570	58,538
US dollar		39,338	1.8096	21,739
Total				92,147

Currency exposure at 30 September 2003

	Interest Rate %	Local Currency 000s	Foreign Exchange Rate	Sterling Equivalent £000
Unquoted Investments:				
Sterling		50,762	—	50,762
Euro		69,964	1.4267	49,041
US dollar		44,964	1.6614	27,064
'AAA' rated money market funds				
Euro	1.96	32,550	1.4267	22,816
Cash and Liquidity:				
Sterling	2.53	—	—	—
Euro	0.66	335	1.4267	235
US dollar	0.40	155	1.6614	94
Total				150,012
Commitments:				
Sterling		25,094	—	25,094
Euro		116,489	1.4267	81,653
US dollar		57,950	1.6614	34,880
Total				141,267

Liquidity risk

The Company holds its uninvested assets in the form of 'AAA' rated money market funds, cash balances and deposits, all of which are repayable on demand. Cash balances are maintained with the Company's custodian. 'AAA' rated money market funds and deposits are placed with third parties and monitored by the treasury team of Standard Life Investments. No dealing in derivatives was undertaken during the year. The Company has a £40 million five year committed revolving credit facility with The Royal Bank of Scotland plc. As at 30 September 2004 this facility remained undrawn.

Interest rate risk

'AAA' rated money market funds, cash and short-term deposits are held on floating rate accounts. The benchmark that determines the interest received or paid on sterling balances is the sterling bank base rate which was 4.75% (2003–3.5%) as at 30 September 2004. Interest on US dollar and euro balances is based on variable interest rates. Interest rates earned at the year end are detailed in the table above.

Information for Investors

Registered address

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

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

Registrars' shareholder helpline: 0870 601 5366
Registrars' broker helpline: 0906 559 6025

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

Ordinary share price and net asset value

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

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

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

ISA (Individual Savings Accounts)

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

Investment Manager

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

Telephone: 0131 245 0055
Fax: 0131 245 6105

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

Financial Calendar

December – Preliminary results for the year announced

December – Annual report and accounts published

January – Annual General Meeting

March – Quarterly trading statement announced

May – Interim results announced

June – Interim report published

September – Quarterly trading statement announced

The Annual General Meeting will be held at 1 George Street, Edinburgh EH2 2LL on 25 January 2005 at 12 noon.

Corporate Information

Registered Office
1 George Street
Edinburgh EH2 2LL
United Kingdom

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

Company Secretary and Administrator
Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
United Kingdom

Company Broker
UBS
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

Solicitors
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF
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Independent Auditors
PricewaterhouseCoopers LLP
PO Box 90
Erskine House
68-73 Queen Street
Edinburgh EH2 4NH
United Kingdom

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

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

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

Notice of Meeting

Notice is hereby given that the fourth Annual General Meeting of Standard Life European Private Equity Trust PLC will be held at 1 George Street, Edinburgh on 25 January 2005 at 12 noon, for the following purposes:

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

1. That the report and accounts for the year ended 30 September 2004, the Directors' Report, the Directors' Remuneration Report and the Independent Auditors' Report be received.
2. That the Directors' Remuneration Report for the year ended 30 September 2004 be approved.
3. That a final dividend of 1.20p per ordinary share be declared.
4. That Mr George Kershaw, who retires from office by rotation, be re-elected as a Director.
5. That Mr Mark Tyndall, who retires from office by rotation, be re-elected as a Director.
6. That PricewaterhouseCoopers LLP be reappointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

To consider and, if thought fit, pass the following as a special resolution:

7. That the Company be generally and unconditionally authorised, in accordance with section 166 of the Companies Act 1985 (the 'Act'), to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 0.2 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 23,856,585 ordinary shares (representing 14.99 per cent of the Company's issued ordinary share capital);
   (ii) the minimum price which may be paid for an ordinary share shall be 0.2p;
   (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the ordinary shares for the five business days immediately preceding the date of purchase; and
   (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 24 July 2006 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2006, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board Valerie Mackenzie

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 17 December 2004

Notes:

The final dividend, if approved, will be paid on 3 February 2005 to ordinary shareholders on the Company's share register as at the close of business on 7 January 2005.

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a shareholder of the Company.

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

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

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

No Director has a service contract with the Company.

Form of Proxy

Standard Life European Private Equity Trust PLC

I/We ____

of ____ BLOCK CAPITALS PLEASE

____

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

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1 George Street, Edinburgh EH2 2LL on 25 January 2005 at 12 noon, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he/she thinks fit or abstain.

Ordinary Resolution	For	Against	Abstain
1. To receive the report and accounts for the year ended 30 September 2004			
2. To approve the Directors' Remuneration Report for the year ended 30 September 2004			
3. To approve a final dividend of 1.20p per ordinary share			
4. To re-elect Mr George Kershaw as a Director			
5. To re-elect Mr Mark Tyndall as a Director			
6. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to determine their remuneration			
Special Resolution	For	Against	Abstain
7. To renew the Company's authority to purchase its own ordinary shares			

Signed ______________________________ Date ______________________

Notes:

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

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RESPONSE LICENCE No
SEA 10850

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LLOYDS TSB REGISTRARS
THE CAUSEWAY
WORTHING
BN99 6ZR

First Fold

Third fold and tuck in