SC 216638

Annual Report and Accounts

Standard Life European Private Equity Trust PLC

for the year ended 30 September 2002

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	£143.8 million as at 30 September 2002
Market capitalisation	£130.5 million as at 30 September 2002
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. See page 16 for further details.
Management fee	0.8% per annum of the net assets of the Company. With effect from 1 July 2002, the management fee has been charged in respect of uninvested cash raised in the placing in May 2001 in accordance with the provisions of the management agreement. The notice period is one year, subject to a minimum initial period of three years.
Company secretarial and administration fee	£66,164 (index linked) plus 0.035% per annum of net assets in excess of £100 million. The notice period is six months, subject to a minimum initial period of two years.
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.

Financial Summary

Performance	30 September 2002	30 September 2001	Launch 29 May 2001
Capital return			
Net asset value per ordinary share	90.3p	94.3p	98.7p
Share price	82.0p	96.5p	100.0p
FTSE All-Share Index[1]	1,801.5	2,340.5	2,852.7
MSCI Europe Index (sterling adjusted)[1]	498.8	672.0	851.3

Performance: percentage change	Year to 30 September 2002 %	Since launch %
Capital return		
Net asset value per ordinary share	(4.2)	(8.5)
Share price	(15.0)	(18.0)
FTSE All-Share Index[1]	(23.0)	(36.8)
MSCI Europe Index (sterling adjusted)[1]	(25.8)	(41.4)

Income returns, discount and expense ratio	30 September 2002	30 September 2001
Revenue return per ordinary share[2]	1.51p	0.54p[3]
Final dividend per ordinary share	1.20p	0.45p[3]
(Discount)/premium (difference between share price and net asset value)	(9.2%)	2.3%
Total expense ratio (2001 – annualised)[4] – as a % of average shareholders' funds	0.76%	0.66%

Highs/Lows	High	Low
Share price (mid)	96.5p	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.

[3] The comparative was a part period running from 29 May 2001 to 30 September 2001.

[4] See note on basis of management fee on page 1.

The last year has been one of significant weakness and volatility in the listed financial markets, set against a background of poor macro-economic fundamentals and disappointing corporate earnings. Investor confidence remains low and there are concerns that European economic growth and corporate earnings will show little short-term recovery. Within this context, the Company has, I believe, made solid progress.

Scott Dobbie

Performance and dividend

During the year the Company continued its policy of committing to new private equity funds and investing in, and generating distributions from, its existing portfolio of fund interests. As at 30 September 2002 the Company's net asset value per ordinary share ('NAV') was 90.3p, a 4.2% decrease over the NAV of 94.3p as at 30 September 2001. The income received from the Company's portfolio of private equity fund interests and from the uninvested cash raised at the time of the Company's listing allows the Board to recommend a final dividend of 1.2p per ordinary share (period ended 30 September 2001–0.45p). Subject to shareholder approval at the forthcoming Annual General Meeting, this dividend will be paid on 6 February 2003 to shareholders on the Company's share register as at 10 January 2003. In line with the Company's dividend policy, the Board did not declare an interim dividend.

Although the Company does not have a defined benchmark, the Company's NAV has materially out-performed the two relevant major stock indices over both the last year and since the Company's listing in May 2001. Over these time periods the Company's NAV has fallen by 4.2% and 8.5% respectively, while the FTSE All-Share Index has fallen by 23.0% and 36.8% and the MSCI Europe Index (sterling adjusted) by 25.8% and 41.4% respectively. The Company's out-performance continues to be driven by its cash and money market holdings and the defensive quality of many of the underlying investments held within the portfolio of private equity funds. The closing mid-market price of the Company's ordinary shares on 30 September 2002 was 82.0p (30 September 2001–96.5p).

Valuation and cash flow

In line with the Company's accounting policies, its portfolio of private equity fund interests is valued by aggregating the most recent valuation of each fund prepared by the relevant manager, adjusted where necessary for subsequent cash flows. Of the 31 fund interests held by the Company as at 30 September 2002, 26 of the funds, equating to 91.3% of the portfolio by value, were valued by their respective fund managers as at that date and 99.0% of the portfolio by value was valued no earlier than 30 June 2002. Accordingly, the Board believes that the valuation of the Company's portfolio as at 30 September 2002 is timely and reflects recent stock market movements. The Board has not used its discretion to write-down the valuation of any underlying investment below that made by the manager of the relevant fund.

The value of the portfolio of fund interests as at 30 September 2002 was £86.7 million (30 September 2001–£71.6 million), reflecting a decline of £10.5 million in the unrealised value of the portfolio over the year. This reduction arose from write-downs and write-offs of a number of specific underlying fund investments, partially offset by a £0.4 million unrealised foreign exchange gain. The reduction in the Company's NAV also reflected the impact of the one-off start-up costs of the new private equity funds to which the Company has committed and which conservatively are expensed at the outset of the relevant fund, rather than amortised.

As anticipated, the Company's investment programme resulted in a decline in its cash and money market holdings, which fell in aggregate to £60.6 million at the year end (30 September 2001–£81.6 million). This decline is expected to continue in the next financial year, in line with the Company's policy of seeking, over time, to be fully invested on a cash basis. Initially, the Company held the bulk of its liquid resources in sterling denominated instruments. With the Company making increasing commitments to euro denominated private equity funds, the Board felt it prudent to match this commitment in its liquid resources. Accordingly, a total of £75.0 million of the Company's money market holdings were switched into euro denominated 'AAA' money market funds in December 2001.

Distributions, draw downs and commitments
After a quiet first half, the pace and quantum of distributions rose in the third quarter of the Company's financial year as the European mergers and acquisitions market, and consequently private equity activity, increased. However, the subsequent downturn in listed financial markets in our final quarter resulted in a slower pace of realisations in the period immediately prior to, and post, the Company's financial year end. This precipitated the deferral of some of the planned exits to which I referred in my interim statement. Total distributions received during the year from the Company's portfolio of private equity fund interests were £15.6 million (period 29 May to 30 September 2001–£7.5 million), of which £3.9 million was in the form of realised gains and £1.2 million was income. This gave an average return on the Company's acquisition cost of the realised investments of 1.5 times; this compares with an average of 1.2 times in the period to 30 September 2001.

During the year a total of £36.0 million was drawn down by the 31 private equity fund interests held by the Company (period ended 30 September 2001–£5.3 million from 25 funds). Since 31 March 2002, and in light of more attractive pricing levels for undertaking transactions, investment activity has increased and this was reflected in the split of cash drawn down between the two halves of the financial year, with £8.8 million drawn down in the first half and £27.2 million in the second half. In addition, the second half benefited from the Company's increasing quantum of new commitments.

Since listing, the Company has made aggregate commitments of £215.9 million to 12 private equity funds. Together with the 19 private equity fund interests acquired from The Standard Life Assurance Company ('Standard Life') on listing, the Company now has a portfolio of 31 fund interests; this is in line with the original objective of having around 35 active private equity fund investments. As at 30 September 2002 the Company's portfolio of 31 fund interests were invested in a total of 300 underlying investments (30 September 2001 – 280 underlying investments). The Board believes that the portfolio offers shareholders broad diversification and exposure to some of the best European private equity funds.

During the financial year the Company committed £113.3 million to six private equity funds, of which four are buy-out funds – The Alchemy Investment Plan, Duke Street Capital V Fund, Barclays Private Equity European Fund and Charterhouse Capital Partners VII – and two are secondary funds involved in the acquisition of existing private equity fund interests – Pomona Capital V Fund and Coller International Partners IV.

The Company's aggregate new commitments since listing of £215.9 million (30 September 2001–£104.4 million) meet the Board's target of committing in excess of £200 million to new private equity fund interests in the period from listing to 30 September 2002. Thus, the first step in the Company's objective of maximising returns for shareholders through pursuing an over-commitment strategy and then seeking, over time, to be fully invested has been achieved. The pace of new commitments will be significantly slower in the next and subsequent financial years when the quantum of new commitments will be more closely driven by the Company's actual and projected cash flows. The projected cash flows are sensitive to the Manager's estimates of drawdowns payable and distributions receivable. The Board recognises this risk and, with the Manager, regularly and closely monitors the Company's future commitments.

As at 30 September 2002 the Company had outstanding commitments of £191.0 million (30 September 2001–£117.4 million). These commitments can be expected to be drawn down over the next 3-4 years.

Share buy-back authority
At the Company's Annual General Meeting in January 2002, shareholders renewed the Company's authority to make market purchases of up to 14.99% of the ordinary shares in issue. The Board is proposing to renew such authority at the forthcoming Annual General Meeting.

During the year the Company purchased a total of 850,000 ordinary shares, representing 0.5% of the ordinary shares in issue, for cancellation at share prices ranging from 80p to 82p. All of these transactions were NAV enhancing; this remains a pre-requisite in the use of the buy-back authority. In addition, the Company has regard to the supply/demand balance in the Company's ordinary shares in the market and the size and volatility of any discount to NAV.

Outlook

The Company enjoys the benefit of having acquired on listing a mature portfolio of private equity fund interests, where many of the underlying investments were made prior to the inflated asset prices of 1999 and 2000. While the pace of realisation of underlying investments has slowed, our experience is that where realisations have been achieved these have been at an increasing average multiple of the Company's acquisition cost.

Against a weak macro-economic environment and depressed financial markets, the pricing of transactions has fallen to levels more favourable to buyers. In addition, we are seeing increasing steps being taken by European corporates to focus on their core businesses and to dispose of non-core assets. These trends are helpful to the Company and give current transactions the potential to generate attractive long-term returns.

Scott Dobbie CBE
Chairman

29 November 2002

Manager's Review

The Company was admitted to the London 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 2002 the NAV fell 4.2%, from 94.3p to 90.3p. Over the same period, the mid-market price of the Company's ordinary shares traded between 96.5p and 82.0p, with a closing mid-market price on 30 September 2002 of 82.0p (30 September 2001–96.5p).

The Company's policy is to announce its NAV at the time of its unaudited interim and audited annual results' announcements in May and December respectively. In addition, the Company will announce any material movements in its NAV between such results' announcements.

The Manager of the Company is Standard Life Investments (Private Equity) Limited, which comprises a team of 11 investment professionals with a total of 136 years' private equity experience. This team manages in excess of £1.1 billion of private equity investments on behalf of around 50 clients worldwide, including Standard Life.

European private equity market

The European private equity market experienced a slowdown in both money raised and invested in 2001-02, relative to the frenetic pace of 2000. However, 2001-02 witnessed a reversion to more normal market conditions, with new buy-out and expansion capital funds taking a significant proportion of money raised and a declining emphasis on new venture funds. This change reflected the impact in the general economy of the ending of the technology 'bubble' and a greater appreciation of the strength of, and opportunities for, investing in buy-outs and expansion capital.

Economic conditions in Europe, as in the rest of the world, have been weak with growth rates sustained mainly by consumer spending. As a consequence, there has been a squeeze on corporate earnings which has resulted in some private equity backed investments performing below plan. At the same time, such conditions have thrown up opportunities for private equity managers to invest money in profitable businesses at lower entry valuations than would be the case if earnings were stronger and there were more trade buyers. Furthermore, the factors behind the growth in European buy-out activity remain valid, and if anything have been enhanced. European companies are under pressure to restructure and focus on their core businesses, driven by a desire to increase shareholder value, to improve corporate governance or by a need to de-gear. Additionally, the harmonisation of non-tariff trade barriers within Europe is ongoing, forcing industrial rationalisation and restructuring.

In the first half of the Company's financial year buy-out activity was lower, as a result of many potential transactions being deferred in light of the macro-economic slow down and the events of September 2001. This position changed in the second half, with increased deal flow reflecting the carry-over of transactions from 2001 and a growing acceptance by vendors that the value of their companies would not improve in the short-term. Similarly, realisations were slow during the first half due to the weak European mergers and acquisitions market. However, the third quarter of the Company's financial year saw a number of underlying investments realised at attractive valuations, before the recent downturn in listed financial markets resulted in a return to the conditions of the first half.

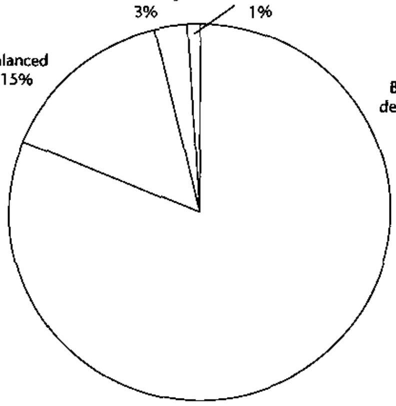
The Company's investment policy

The Company's investment policy is to invest in private equity funds operating 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 held by the Company, Pomona Capital V Fund and Coller International Partners IV, which are both secondary funds, principally invest outside Europe. 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 private equity funds specialising in buy-outs, typically having an enterprise value of between €100 million and €400 million (approximately £60 million - £250 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, 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 2002 the Company had £86.7 million (30 September 2001–£71.6 million) invested in a total of 31 private equity funds (30 September 2001–25 funds). The split of the portfolio by type of private equity fund is set out below:-

Type of fund (% of 30 September 2002 valuation)



Details of all of the Company's private equity fund investments, and more detailed information on the ten largest holdings, can be found on pages 12 and 13 respectively.

Investment performance

As at 30 September 2002 the value of the Company's portfolio of private equity fund interests was £86.7 million (30 September 2001–£71.6 million) which, together with its money market holdings and current assets less liabilities, resulted in the Company having net assets of £143.8 million (30 September 2001–£151.0 million). This represented a NAV of 90.3p (30 September 2001–94.3p). A breakdown of the £7.2 million negative movement in the Company's net assets during the year is detailed in Table 1.

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 25. Of the 31 private equity funds in which the Company is invested 26 of the funds, or 91.3% of the portfolio by value, were valued by their fund managers as at 30 September 2002. In undertaking the valuation the Board did not 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 loss of £10.5 million (30 September 2001–loss of £8.1 million). This unrealised loss included £3.3 million of start-up costs and management fees incurred in the year by the twelve funds that the Company has committed to since 29 May 2001. In line with normal practice, the funds write-off such costs. The remainder of the unrealised loss largely arose from a number of write-downs and write-offs of specific underlying investments, particularly in the technology sector.

Details of the valuation and the cost of each respective fund interest held by the Company as at 30 September 2002 are set out on page 12.

As at 30 September 2002 the Company's aggregate cash and money market holdings were £60.6 million

Table 1

Movement in net assets	Investment portfolio £m	Cash and other net assets £m	Total net assets £m	NAV per ordinary share (p)
Opening balance	71.6	79.4	151.0	94.3
Draw downs	36.0	(36.0)	—	
Opening cost of investment realisations during the period	(10.4)	10.4	—	
Realised gains on investments in the period	—	4.1	4.1	
Income earned	—	3.8	3.8	
Unrealised (losses)/gains in the period at constant exchange rates	(10.9)	—	(10.9)	
Impact of foreign exchange rate movement	0.4	(0.1)	0.3	
Expenses and tax incurred	—	(1.9)	(1.9)	
Recommended dividend	—	(1.9)	(1.9)	
Cost of shares repurchased	—	(0.7)	(0.7)	
Closing balance	**86.7**	**57.1**	**143.8**	**90.3**

(30 September 2001–£81.6 million), of which £60.2 million (30 September 2001–£79.0 million) was held in a selection of 'AAA' rated money market funds and £0.4 million (30 September 2001–£2.6 million) was held in bank deposits and cash at bank. As a result of the over-commitment strategy being pursued by the Company, it can be expected that the cash and money market holdings will decline as the amount of draw downs by funds exceeds distributions received by the Company. The intention is that, over time, the Company becomes fully invested on a cash basis.

Within the Company's portfolio of private equity fund interests, £44.3 million of the portfolio was denominated in sterling, £40.1 million (sterling equivalent) was denominated in euros and £2.3 million (sterling equivalent) was denominated in US dollars at the year end. In December 2001 the Company switched £75 million of its sterling denominated money market holdings into euro denominated holdings. This was done in order to match more closely the Company's liquid resources to the currency of its outstanding private equity fund commitments, which are predominantly to euro denominated funds. As at 30 September 2002 99.3%, or £60.2 million (sterling equivalent), of the Company's cash and money market holdings were held in euro denominated instruments. The prevailing sterling/euro foreign exchange rate as at 30 September 2002 was £1/€1.5913 (30 September 2001– €1.6138). As indicated in Table 1, during the year there was a £0.3 million unrealised foreign exchange gain on the Company's assets.

Table 2

Largest distributions during the year	Type of Fund	Aggregate distributions £m	Aggregate realised gains £m	Aggregate income received £m
CVC Europe II	Buy-out	3.1	1.2	0.5
Candover 1997 Fund	Buy-out	2.8	0.5	0.3
Deutsche Morgan Grenfell Equity Partners IV	Buy-out	2.4	0.1	0.2
Charterhouse V	Buy-out	1.7	0.4	—
Apax UK VI	Balanced	1.3	0.5	—
Charterhouse VI	Buy-out	0.8	0.7	—
Total of largest distributions		**12.1**	**3.4**	**1.0**
Total of all distributions during the year		**15.6**	**3.9**	**1.2**

Distributions, gains and income

As part of the listing arrangements the Company acquired an existing portfolio of 19 European private equity fund interests from Standard Life for £80.7 million, satisfied wholly through the issue of ordinary shares in the Company. This part of the Company's portfolio of fund interests is relatively mature, with the earliest fund commitment being made in 1989 and the latest in 1999.

During the year ended 30 September 2002 the Company's portfolio of 31 private equity fund interests generated aggregate distributions of £15.6 million (period ended 30 September 2001–£7.5 million), realised gains of £3.9 million (30 September 2001–£1.2 million) and income of £1.2 million (30 September 2001–£0 million). Against a background of declining listed financial markets and a quiet market for realisations in the first half and final quarter of the Company's financial year, this outcome is regarded as satisfactory. It is also pleasing that the average return on the Company's acquisition cost of the realised investments rose during the year to 1.5 times, from 1.2 times in the period to 30 September 2001. It is hoped that this trend will continue.

The largest distributions, gains and income received during the year ended 30 September 2002 are set out in Table 2.

The most significant distributions were:-

1. £2.8 million from CVC Europe II as a result of the flotations of William Hill and Punch Taverns;
2. £1.1 million from the Candover 1997 Fund following the sale of Regional Independent Media; and
3. £2.4 million from Deutsche Morgan Grenfell Equity Partners IV following the sale of Coral Eurobet.

Commitments

During the year ended 30 September 2002 the Company made new commitments totalling £113.3 million to six private equity funds, of which four are buy-out funds and two are secondary funds, involved in the acquisition of existing private equity fund interests. These funds are managed by some of the leading private equity fund managers. Details of these new fund commitments are set out in Table 3.

These new fund commitments bring the aggregate new fund commitments made by the Company since listing to

£215.9 million. The £215.9 million of new fund commitments has been made to a total of 12 private equity funds, of which eight are buy-out funds, two are secondary funds, one is a balanced fund, covering buy-outs and venture, and one is a venture fund. The focus on buy-out funds is consistent with the Company's investment policy.

As reported in the Chairman's Statement, the aggregate new commitments made by the Company meet the Board's target of committing in excess of £200 million to private equity fund interests in the period from listing to 30 September 2002. Such a quantum of new commitments has been necessary to allow the Company to become, over time, fully invested on a cash basis and thereby increase returns for shareholders. Going forward, the quantum of new commitments will be materially lower and will take into account the Company's actual and projected cash flows. The Manager monitors on a pro-active basis the projected short and medium-term cash flows associated with the Company's portfolio and the level of outstanding commitments.

As at 30 September 2002 the Company had outstanding commitments of £191.0 million (30 September 2001– £117.4 million), of which £8.4 million related to the 19 private equity fund interests acquired on listing and £182.6 million to the 12 new private equity fund commitments made.

Draw downs

The Company paid draw downs of £36.0 million during the year ended 30 September 2002 (period to 30 September 2001–£5.3 million). Most of the draw downs were made in the second half of the Company's financial year. This was as a result of increased investment activity in the European private equity market and the growing quantum of new fund commitments made by the Company.

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

The most notable draw downs by the funds and the underlying investments funded by them were:-

1. £4.1 million by The Alchemy Investment Plan to fund three acquisitions, namely CompAir, a subsidiary of engineering company Invensys, Cedar, an IT consultancy, software and services business, and Open and Direct, an Irish based financial services business;
2. £1.8 million by the Third Cinven Fund to acquire the Unique Pub Company, which has over 4,000 pubs in the UK;
3. £2.8 million by the Duke Street Capital V Fund to finance the public to private acquisition of Esporta Plc, a health and fitness group, and the add-on acquisition of Invicta, another UK health and fitness company;

Table 3

Commitments made during the year	Type of Fund	Total commitments made by the the Company	Sterling equivalent commitments £m
The Alchemy Investment Plan*	Buy-out	£30m	30.0
Charterhouse VII	Buy-out	€32m	20.1
Coller International Partners IV	Secondary	US$30m	19.1
Barclays Private Equity European Fund	Buy-out	€25m	15.7
Duke Street Capital V Fund	Buy-out	€25m	15.7
Pomona Capital V Fund	Secondary	US$20m	12.7
Total new commitments			**113.3**

Note: the foreign exchange rates used in calculating the sterling equivalent commitments in the above table were the prevailing rates as at 30 September 2002 of £1/€1.5913 and £1/$1.5726.
* the commitment to this fund is £10 million per annum for a period of three years.

Table 4

Largest draw downs during the year	Type of fund	Draw downs £m
The Alchemy Investment Plan	Buy-out	7.3
Third Cinven Fund	Buy-out	4.6
Duke Street Capital V Fund	Buy-out	4.3
Charterhouse Capital VII	Buy-out	2.8
Advent Global Private Equity IV	Buy-out	2.7
CVC Europe III	Buy-out	2.7
Pomona Capital V Fund	Secondary	2.3
CVC Europe II	Buy-out	2.0
Candover 2001 Fund	Buy-out	1.6
Barclays Private Equity European Fund	Buy-out	1.4
MUST 4	Buy-out	1.2
Total of largest draw downs		**32.9**
Total of all draw downs during the year		**36.0**

4. £2.8 million by Charterhouse VII to acquire Coral Eurobet, a licensed bookmaker; and
5. £1.0 million by the Candover 2001 Fund to acquire Swissport, the ground and baggage handling business of Swissair.

Diversification

The Board has agreed diversification limits with the Manager regarding the Company's net asset and commitment exposure to individual private equity funds and managers. In operating within these diversification limits, the Manager also 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 31 different private equity funds as at 30 September 2002, which funds had interests in a total of 300 underlying investments (30 September 2001 – 25 funds and 280 underlying investments).

Monitoring the underlying investments held by the different private equity funds allows the Manager to track the Company's exposure by geography, industrial sector, maturity of investment and valuation methodology employed by the relevant fund managers in valuing the underlying investments. Such information is used by the Manager in reviewing the exposure of the Company's portfolio of private equity fund interests, in making new investment decisions and in better understanding the timing of prospective cashflows.

As at 30 September 2002 the Company's £86.7 million of private equity fund interests were diversified as shown on page 11.

The pie charts opposite demonstrate the broad diversification that applies by sector and geography within the Company's underlying portfolio of investments. The geographic exposure has continued to widen, as a result of new investments in continental Europe and the United States. The new investments have also changed the maturity exposure, with an increasing number of investments having been held for less than one year. Finally, the valuation exposure pie chart illustrates the conservative basis of valuation used by fund managers in valuing their underlying investments, with 64% of the investments by value shown at cost or written down value.

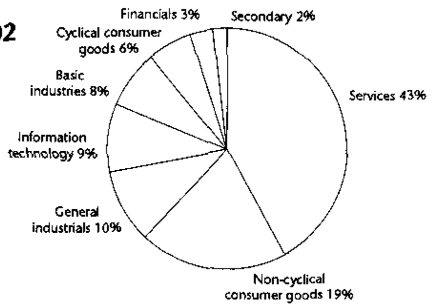
Prospects

Against a background of difficult and volatile financial markets and weak macro-economic growth across Europe, the Company has continued to make progress. The Company has met the objective, set at the time of listing, of committing in excess of £200 million to new private equity funds in the period to 30 September 2002. This should allow the Company to invest its remaining liquid resources over the next couple of years. We believe that this money will be invested into an attractive environment of lower prices being paid for businesses and an anticipated recovery in the macro-economic fundamentals. As regards distributions, it can be expected that in the short-term the number and quantum of realisations will remain low, however, exits are still possible for strong private companies.

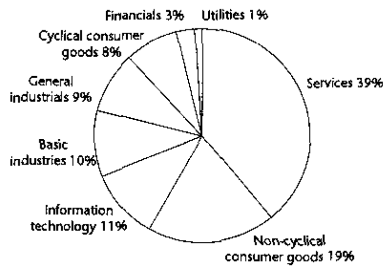
Standard Life Investments (Private Equity) Limited
29 November 2002

Sector exposure (% of 30 September valuation)

2002

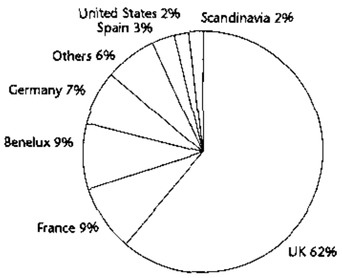


2001

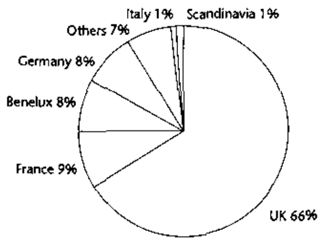


Geographic exposure (% of 30 September valuation)

2002

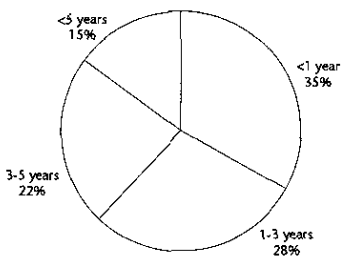


2001

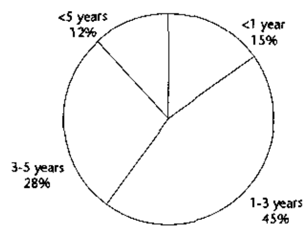


Maturity exposure (% of 30 September valuation)

2002

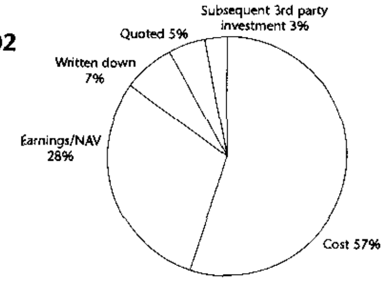


2001

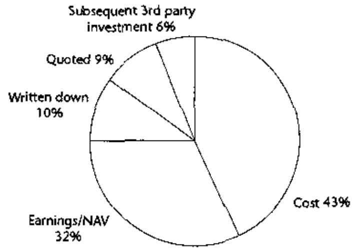


Valuation exposure (% of 30 September valuation)

2002



2001



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	% total assets
1999	CVC Europe II	Buy-out	35	30.9.02	923	10,125	9,819	6.8%
1999	Apax Europe IV	Balanced	53	30.9.02	3,299	12,645	8,766	6.1%
1998	Phildrew Fifth	Buy-out	15	30.9.02	193	9,348	7,324	5.1%
2001	The Alchemy Investment Plan	Buy-out	10	30.9.02	22,740**	7,263	6,891	4.8%
1997	Charterhouse VI	Buy-out	6	30.9.02	2,097	6,128	6,293	4.4%
1997	HEV III	Buy-out	5	30.9.02	—	4,403	5,260	3.7%
1998	Candover 1997 Fund	Buy-out	10	30.9.02	648	4,040	4,439	3.1%
2001	Third Cinven Fund	Buy-out	5	30.9.02	16,141	4,609	4,322	3.0%
2002	Duke Street Capital V Fund	Buy-out	3	30.9.02	11,526	4,272	4,039	2.8%
2001	CVC Europe III	Buy-out	6	30.9.02	18,642	3,761	3,231	2.2%
1997	Apax UK VI	Balanced	20	30.9.02	—	5,379	2,925	2.0%
2002	Charterhouse VII	Buy-out	1	30.9.02	17,329	2,786	2,671	1.9%
1996	The Primary Capital No.1 Fund	Buy-out	6	30.6.02	439	2,355	2,391	1.7%
2002	Pomona Capital V Fund	Secondary	9	30.6.02	10,429	2,306	2,256	1.6%
2001	Advent Global Private Equity IV	Buy-out	3	30.9.02	16,213	2,698	2,105	1.5%
2001	Candover 2001 Fund	Buy-out	2	30.9.02	18,839	1,859	1,452	1.0%
1995	Deutsche Morgan Grenfell Equity Partners IV	Buy-out	9	30.6.02	109	2,402	1,445	1.0%
1995	Granville Private Equity Fund V	Buy-out	8	30.9.02	610	2,174	1,392	1.0%
2002	Barclays Private Equity European Fund	Buy-out	3	30.9.02	14,337	1,411	1,242	0.9%
1989	Apax European Buy-In Fund	Buy-in	3	30.9.02	—	3,605	1,223	0.9%
2001	MUST 4	Buy-out	4	30.9.02	13,460	1,540	1,073	0.7%
1994	Charterhouse V	Buy-out	4	30.9.02	47	647	1,070	0.7%
1995	Apax UK V	Balanced	14	30.9.02	—	2,267	932	0.6%
1997	The Global Rights Development Fund	Development Capital	4	31.3.02	—	861	858	0.6%
1990	Apax CR III	Balanced	8	30.9.02	—	900	712	0.5%
1995	Phildrew Fourth	Buy-out	7	30.9.02	—	1,586	710	0.5%
2001	Scottish Equity Partnership II	Venture Capital	11	30.6.02	4,154	846	634	0.4%
1992	Midland Montagu Investissement FCPR	Buy-out	5	30.9.02	—	742	562	0.4%
1996	Scottish Equity Partnership	Venture Capital	29	30.9.02	40	914	482	0.3%
1989	Korda Seed Capital Fund	Venture Capital	2	30.9.02	—	1,165	172	0.1%
2002	Coller International Partners IV	Secondary	0	30.9.02	18,762	332	0	0.0%
Total portfolio investments†			300		190,977	105,369	86,691	60.3%
'AAA' rated euro denominated money market funds							60,171	41.8%
Current assets less current liabilities							(3,056)	(2.1%)
Shareholders' funds							143,806	100.0%

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

** the outstanding commitment to The Alchemy Investment Plan is calculated on the basis that the total commitment to this fund is £10 million per annum for a period of three years.

† the 300 underlying investments represent holdings in 279 separate companies.

Ten Largest Fund Investments

CVC Europe II

A Jersey limited partnership which invests in unquoted companies, mainly in Europe. The manager is CVC European Equity II Limited, a subsidiary of CVC Capital Partners Group Limited, which has approximately twenty year's experience in executing its investment strategy - investing in European management buy-outs, buy-ins, acquisitions and recapitalisations. The fund is approaching full investment and has made investments in a broad range of industries and sectors across Europe.

Apax Europe IV

An English limited partnership which invests in unquoted companies, mainly in western Europe. The fund is managed by Apax Partners & Co Ventures Ltd, one of the leading and most experienced private equity managers in Europe, part of the Apax Partners international organisation. The fund's strategy spans early-stage, expansion capital, special situations, buy-ins and buy-outs across Apax Partners' six specialist sectors – IT, telecoms, media, biotechnology/ healthcare, financial services and speciality retailing – whilst investing opportunistically in other sectors.

Phildrew Fifth

A Jersey limited partnership which invests in unquoted companies, mainly in the UK. The manager is Canven (C.I.) Limited, the UK arm of UBS Capital, the private equity business of UBS. The fund invests in UK focused management buy-outs, buy-ins and expansion capital opportunities. Investments to date are in a diversified portfolio across various industries and sectors.

The Alchemy Investment Plan

A Guernsey limited partnership which invests in unquoted companies, primarily in the UK, Ireland and Switzerland. 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 fund focuses on a strategy of investing in complex transactions and turnaround situations and the manager is the leading player in UK public to private transactions.

Charterhouse VI

An English limited partnership which invests in unquoted companies located in western Europe. The fund is managed by Charterhouse Development Capital Limited, which has a long history of successful management buy-outs and development capital transactions in Europe. The fund has no pre-determined industrial or sector bias.

HEV III

An English limited partnership which invests in unquoted companies in Europe. The adviser is Duke Street Capital, which grew out of what was originally Hambro European Ventures (HEV), a wholly owned subsidiary of Hambros plc, a merchant banking group. The fund is fully invested in middle market UK and western European management buy-outs, buy-ins and expansion capital opportunities.

Candover 1997 Fund

An English limited partnership which invests in unquoted companies, mainly in the UK although the fund has made investments in western Europe. The general partner and manager is Candover Partners Limited, a subsidiary of Candover Investments plc. The strategy of this fund, which is almost fully invested, is to invest in management buy-outs. The portfolio comprises investments in a broad range of sectors and industries.

Third Cinven Fund

An English limited partnership which invests in unquoted companies located in western Europe. The fund is managed by Cinven Limited, from offices in London, Frankfurt and Paris. The strategy of this fund is to invest in larger management buy-outs in the UK and continental Europe.

Duke Street Capital V Fund

An English limited partnership which invests in unquoted companies in Europe. The adviser is Duke Street Capital, which grew out of what was originally Hambro European Ventures, a wholly owned subsidiary of Hambros plc, a merchant bank group. The fund invests in middle market UK and western European management buy-outs, buy-ins and expansion capital opportunities.

CVC Europe III

A Jersey limited partnership which invests in unquoted companies, mainly in Europe. The manager is CVC European Equity III Limited, a subsidiary of CVC Capital Partners Group Limited, which has approximately twenty year's experience in executing its investment strategy - investing in European management buy-outs, buy-ins, acquisitions and recapitalisations.

Corporate Information

Registered Office
1 George Street
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Investment Manager
Standard Life Investments (Private Equity) Limited
1 George Street
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Company Secretary and Administrator
Edinburgh Fund Managers plc
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Edinburgh EH12 5HD
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Company Broker
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United Kingdom

Solicitors
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Edinburgh EH3 7NE
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Tax Advisers
Ernst & Young LLP
Ten George Street
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United Kingdom

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

Scott Dobbie CBE

Chairman

Scott Dobbie (63), Chairman, started his career with Unilever, then joined Wood Mackenzie & Co. in 1972, where he was appointed a partner in 1975, becoming managing partner in 1982. He remained with the company through acquisitions by National Westminster Bank, Bankers Trust and, finally, Deutsche Bank. Following his retirement in 1999, he has remained an adviser to Deutsche Bank. He is the chairman of the Securities Institute, senior independent director of the Edinburgh Investment Trust plc, a director of Scottish Financial Enterprise and Premier Oil plc, and a commissioner of the Jersey Financial Services Commission.

Hamish Buchan*

Director

Hamish Buchan (58), started with Wood Mackenzie & Co. in 1969 where he was appointed a partner in 1979. Throughout his career he specialised in investment trust analysis. Following his retirement in 1999, he has worked as a consultant in the investment trust sector and is currently deputy chairman of the Association of Investment Trust Companies and chairman of the Statistics Committee. He is also a non-executive director of Aberforth Split Level Trust plc, JP Morgan Fleming American Trust plc, Shires Income Trust plc, Personal Assets Trust plc and Collective Assets Trust plc.

Simon Edwards

Director

Simon Edwards (39), 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 (50), 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.

Mark Tyndall

Director

Mark Tyndall (44), 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.

* Hamish Buchan has been nominated as the senior independent director.

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

All of the Directors were appointed on 25 April 2001.

Directors' Report

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 period ended 30 September 2001, 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 2001, the Company's issued share capital was £355,373 divided into 160,000,000 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 0.1p per share.

During the year the Company bought back 850,000 ordinary shares of 0.2p each (representing 0.53% of the issued share capital as at 30 September 2001) for cancellation. The total cost of these shares was £692,000. The number of ordinary shares in issue as at 30 September 2002 was 159,150,000.

The principal purpose of such share buy-backs was to address the imbalance between the supply and demand for the Company's ordinary shares in the market and thereby reduce both the scale and volatility of the discount at which the shares trade in relation to the underlying net asset value. All share buy-backs were undertaken at a discount to the prevailing net asset value and, accordingly, were net asset enhancing.

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 which, in the normal course, are convertible from 2006 and 2011 based on performance in the five year periods 2001 to 2006 and 2006 to 2011. 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 the full 5 per cent in each tranche being 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 applicable to extend the management incentive to apply to any further issues of share capital.

Income and final dividend
Income available for dividends was £2,418,000 or 1.51p per ordinary share (period from 29 May 2001 to 30 September–£866,000 or 0.54p per ordinary share). The Directors recommend that a final dividend of 1.20p (2001–0.45p) per ordinary share be paid on 6 February 2003 to shareholders on the Company's share register as at the close of business on 10 January 2003.

Directors
In accordance with the Articles of Association, Hamish Buchan retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election at the Annual General Meeting.

The names of the Directors and their holdings in the Company's shares are shown in Table 5.

The Company has not been notified of any changes in the Directors' holdings between 30 September 2002 and 29 November 2002.

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

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the Combined Code 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 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.

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 15. Each Director has 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 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.

Appointments to the Board will be considered by the Nominations Committee. All of the Directors are members of the Nominations Committee and Scott Dobbie is the Chairman. When a new Director is appointed to the Board, he or she will be provided with all relevant information regarding the Company and his or her duties as a Director.

A Director appointed during the period is required to retire and seek election by shareholders at the next 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.

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 applicable rules and regulations are complied with.

Communication with shareholders

The Directors place great importance on communication with the Company's shareholders. The Manager also

Table 5

Directors and their holdings in the Company	Ordinary Shares held as at 30 September 2002	2001
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.

carries out a programme of regular dialogue and individual meetings with institutional shareholders.

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 respective responsibilities of the Directors and the auditors in connection with the financial statements appear on pages 20 and 21.

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 2002 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 Combined Code.

The Manager and 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 Administrator and regular reports on controls and compliance issues are provided to the Board. In carrying out its review, the Board has had regard to the activities of the Manager and Administrator and their internal audit function and the external auditors.

The Audit Committee, comprising all of the Directors and of which Scott Dobbie is the Chairman, meets at least twice a year and considers reports from the auditors, the Manager and the Administrator. The Audit Committee keeps the scope and effectiveness of the external audit under review and considers and recommends the re-appointment of the auditors to the Board. The independence and objectivity of the external auditors are also considered on a regular basis, with particular regard to the level of non audit fees. Shareholders have the opportunity at each Annual General Meeting to vote on the election of the external auditors for the forthcoming year.

Management Engagement Committee

All 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 Administrator and their compliance with the terms of the management and administration agreements.

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 29 November 2002 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.

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.

Auditors

A resolution will be proposed at the Annual General Meeting for the re-appointment of PricewaterhouseCoopers as auditors of the Company.

Directors' authority to buy back shares

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 5, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of 26 July 2004 or the Annual General Meeting in 2004. 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 of the ordinary shares for the five business days before the ordinary shares are purchased. Any ordinary shares repurchased under this authority will be cancelled.

Table 6

Substantial share interests	No of ordinary shares	%
The Standard Life Assurance Company	80,745,718	50.7
Foreign & Colonial Investment Trust PLC	8,000,000	5.0
The Alliance Trust PLC	6,000,000	3.8
British Assets Trust plc	5,000,000	3.1
Oxfordshire County Council	5,000,000	3.1
The Monks Investment Trust PLC	5,000,000	3.1

By order of the Board Valerie Mackenzie

Edinburgh Fund Managers plc
Company Secretary

Edinburgh, 29 November 2002

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 the 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 auditors does not involve consideration of these matters and, accordingly, the 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.

Independent auditors' report 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 and the cash flow statement and the related notes, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules 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 Directors' Report, the Chairman's Statement, the Manager's Review and the corporate governance statement.

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, 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. 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 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 2002 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditor

Edinburgh, 29 November 2002

Statement of Total Return

for the year ended 30 September 2002

	Notes	2002 Revenue £000	2002 Capital £000	2002 Total £000	Period 9 March 2001* to 30 September 2001 Revenue £000	Period 9 March 2001* to 30 September 2001 Capital £000	Period 9 March 2001* to 30 September 2001 Total £000
Net realised gains on investments	16	—	4,114	4,114	—	1,151	1,151
Net unrealised depreciation on investments	17	—	(10,445)	(10,445)	—	(8,141)	(8,141)
LOSSES ON INVESTMENTS		—	(6,331)	(6,331)	—	(6,990)	(6,990)
Currency losses on cash balances	16	—	(121)	(121)	—	(12)	(12)
Income from investments	2	3,755	—	3,755	1,268	—	1,268
Interest receivable on short term deposits		73	—	73	105	—	105
Investment management fee	3	(82)	(741)	(823)	(22)	(195)	(217)
Administrative expenses	4	(291)	—	(291)	(116)	(16)	(132)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		3,455	(7,193)	(3,738)	1,235	(7,213)	(5,978)
Taxation	5	(1,037)	223	(814)	(369)	57	(312)
RETURN ON ORDINARY ACTIVITIES AFTER TAXATION		2,418	(6,970)	(4,552)	866	(7,156)	(6,290)
Dividend in respect of ordinary shares	6	(1,910)	—	(1,910)	(720)	—	(720)
Transfer to/(from) reserves		508	(6,970)	(6,462)	146	(7,156)	(7,010)
RETURN PER ORDINARY SHARE	7	1.51p†	(4.36p)	(2.85p)	0.54p†	(4.47p)	(3.93p)
DIVIDEND PER ORDINARY SHARE		1.20p			0.45p		

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.

* The Company commenced business on 29 May 2001.

† Earnings per share - basic and diluted

Balance Sheet

as at 30 September 2002

	Notes	2002 £000	2002 £000	2001 £000	2001 £000
FIXED ASSETS					
Investments	8		146,862		150,599
CURRENT ASSETS					
Debtors	9	191		303	
Cash and short term deposits		463		2,603	
		654		2,906	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(3,710)		(1,940)	
NET CURRENT (LIABILITIES)/CURRENT ASSETS			*(3,056)*		*966*
TOTAL ASSETS LESS CURRENT LIABILITIES			143,806		151,565
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		—		(605)
			143,806		150,960
CAPITAL AND RESERVES					
Called up share capital	12		354		355
Share premium	13		77,775		77,775
Special reserve	14		79,148		79,840
Capital redemption reserve	15		1		—
Capital reserve – realised	16		4,460		985
Capital reserve – unrealised	17		(18,586)		(8,141)
Revenue reserve	18		654		146
TOTAL SHAREHOLDERS' FUNDS			*143,806*		*150,960*
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests (ordinary shares)			143,771		150,925
Non-equity interests (founder shares)			35		35
			143,806		150,960
NET ASSET VALUE PER EQUITY SHARE	21		90.3p		94.3p

The financial statements on pages 22 to 32 were approved by the Board on 29 November 2002 and were signed on its behalf by:

Scott Dobbie

SCOTT DOBBIE CBE, Chairman

Cashflow Statement

for the year ended 30 September 2002

	Notes	2002 £000	2002 £000	Period 9 March 2001* to 30 September 2001 £000	Period 9 March 2001* to 30 September 2001 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		2,927		1,023
NET CASHFLOW FROM SERVICING OF FINANCE			—		—
NET CASH OUTFLOW FROM TAXATION			(519)		—
FINANCIAL INVESTMENT					
Purchase of investments		(111,559)		(84,082)	
Disposal of investments		108,965		7,238	
NET CASH OUTFLOW FROM FINANCIAL INVESTMENT			(2,594)		(76,844)
ORDINARY DIVIDENDS PAID			(720)		—
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			(906)		(75,821)
FINANCING					
Issue of ordinary shares	12	—		79,255	
Issue of founder shares	12	—		35	
Expenses of issue		(606)		(854)	
Buyback of ordinary shares	12	(504)		—	
Expenses of share buyback		(3)		—	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING			(1,113)		78,436
(DECREASE)/INCREASE IN CASH	20		(2,019)		2,615

* The Company commenced business on 29 May 2001.

1 Accounting policies

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

(a) Basis of Accounting – The accounts have been prepared under the historical 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 fund investments are stated at Directors' valuation 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 be made if the Company's Manager receives relevant information which has not been notified 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.

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

Overseas currencies – Overseas assets and liabilities are translated at the exchange rate prevailing at the Company's balance sheet date. Profits or losses on retranslation of investments held at the year end are accounted for through the unrealised capital reserve. Gains and losses on 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:

	2002	2001
Euro	1.5913	1.6138
US dollar	1.5726	1.4697

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

(d) Capital reserve

Realised – Gains and losses on 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.

(e) 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 is allocated 90% to the realised capital reserve and 10% to the revenue account.

(f) 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.

Change in Accounting Policy – The provisions of FRS19 'Deferred Tax' have been adopted for the first time in these accounts as noted above. This did not result in any change to prior figures.

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000
2 Investment income		
Income from 'AAA' rated money market funds	2,543	1,233
Other income from unquoted investments	1,212	35
	3,755	1,268
3 Investment management fee		
Investment management fee	823	217
Charged against capital reserve – realised	(741)	(195)
	82	22

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. No fee was payable on uninvested cash raised in the placing in May 2001 until the quarter beginning 1 July 2002. 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, subject to a minimum initial period of three years.

4 Administrative expenses		
Secretarial and administration fee	100	34
Directors' fees	88	44
Auditors' remuneration - all audit related	23	14
Printing and postage	9	8
Other expenses	71	16
	291	116

The secretarial and administration fee is payable to Edinburgh Fund Managers plc at the rate of £66,164 (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 six months notice, subject to a minimum initial period of two years.

The emoluments of the Chairman, who was the highest paid Director, were £25,000 (period 9 March–30 September 2001–£12,500). The emoluments of each of the other Directors were £15,000 (2001–£7,500).

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

5 Taxation		
UK corporation tax charge - 30% of return on ordinary activities before tax	1,037	369
Relief to capital reserve – realised	(223)	(57)
	814	312

There is no provision for deferred tax in either period.

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000

6 Dividend on ordinary shares

Final dividend of (2001–0.45p) per ordinary share payable on 6 February 2003	1,910	720

7 Return per ordinary share

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

Weighted average number of ordinary shares in issue (2001 - since 29 May 2001)	159,735,685	160,000,000
Revenue return	£2,418,000	£866,000
Capital return	(£6,970,000)	(£7,156,000)

8 Fixed asset investments

	'AAA' Rated Money Market Funds £000	Unquoted £000	Total £000	2001 Total £000
Opening market value	79,000	71,599	150,599	—
Opening unrealised depreciation	—	8,141	8,141	—
Opening book cost	79,000	79,740	158,740	—
Movements in the year:				
Transferred from Standard Life (note 12)	—	—	—	80,745
Additions at cost	75,515	36,044	111,559	84,756
Disposal of investments	(94,619)	(14,346)	(108,965)	(7,912)
	59,896	101,438	161,334	157,589
Realised gains on investments	183	3,931	4,114	1,151
Closing book cost	60,079	105,369	165,448	158,740
Closing unrealised appreciation/(depreciation)	92	(18,678)	(18,586)	(8,141)
Closing market value	60,171	86,691	146,862	150,599

9 Debtors

Amounts falling due within one year:		
Accrued income	179	299
Prepayments	12	4
	191	303

10 Creditors: amounts falling due within one year

Taxation	607	312
Management fee	349	217
Secretarial fee	25	34
Broker's fee (note 11)	605	606
Sundry creditors	29	51
Proposed final dividend	1,910	720
Amounts due to brokers	185	—
	3,710	1,940

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000
11 Creditors: amounts falling due after more than one year		
Broker's fee	—	605

An agreement exists between the Company and its broker, UBS Warburg Ltd, to pay UBS Warburg Ltd a fee on the cash raised in the placing in May 2001, payable as to one fifth on the first day of dealings (29 May 2001) with the balance payable in four equal instalments at six monthly intervals thereafter.

12 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 (2001-160,000,000) ordinary shares of 0.2p – fully paid	318,300	320,000
17,500,000 (2001-17,500,000) founder A shares of 0.2p – partly paid	17,687	17,687
17,500,000 (2001-17,500,000) founder B shares of 0.2p – partly paid	17,686	17,686
	353,673	355,373

During the year ended 30 September 2002, 850,000 ordinary shares of 0.2p were bought back at a cost of £692,000, of which £185,000 was due to brokers as at 30 September 2002.

On 9 March 2001, two ordinary shares of 25p each were issued. These were sub-divided into 250 ordinary shares of 0.2p each on 2 May 2001. On 29 May 2001, 79,254,282 ordinary shares of 0.2p each were issued at 100p per share and a cash consideration of £79,254,282 was received. On the same day a further 80,745,468 ordinary shares were issued at 100p per share to acquire 19 European private equity fund interests from Standard Life.

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 0.1p 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 16.

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000
13 Share premium		
Opening balance	77,775	—
Premium arising on issue of ordinary shares	—	159,680
Transfer to special reserve	—	(79,840)
Expenses of share issue	—	(2,065)
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 14).

14 Special reserve

Opening balance	79,840	—
Created by transfer from share premium	—	79,840
Share buy-backs	(692)	—
Closing balance	79,148	79,840

15 Capital redemption reserve

Transfer from called up share capital arising from share buy-backs	1	—
	1	—

16 Capital reserve – realised

Opening balance	985	—
Net realised gains on sale of investments	3,931	1,151
Net realised gains on sale of 'AAA' funds	183	—
Management fee charged to capital	(741)	(195)
Tax relief on management fee above	223	57
Professional fees charged to capital	—	(16)
Currency losses on cash balances	(121)	(12)
Closing balance	4,460	985

17 Capital reserve – unrealised

Opening balance	(8,141)	—
Movement in unrealised depreciation on investments	(10,537)	(8,141)
Movement in unrealised appreciation on 'AAA' funds	92	—
Closing balance	(18,586)	(8,141)

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000

18 Revenue reserve

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000
Opening balance	146	—
Return before dividends	2,418	866
Final dividend	(1,910)	(720)
Closing balance	654	146

19 Reconciliation of net revenue on ordinary activities before taxation to net cash inflow from operating activities

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000
Net revenue on ordinary activities before taxation	3,455	1,235
Decrease/(increase) in accrued income	120	(299)
Increase in prepayment	(8)	(4)
Increase in creditors	101	302
Expenses charged to capital reserve – realised	(741)	(211)
	2,927	1,023

20 Analysis of changes in net funds during the period

	At 30 September 2001 £000	Currency movement £000	Cashflows £000	At 30 September 2002 £000
Cash and short term deposits	2,603	(121)	(2,019)	463

21 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 2002	30 September 2001
Ordinary shareholders' funds	£143,771,000	£150,925,000
Number of ordinary shares in issue	159,150,000	160,000,000
Net asset value per ordinary share	90.3p	94.3p

22 Reconciliation of movement in shareholders' funds

	30 September 2002 £000	Period 9 March 2001 to 30 September 2001 £000
Opening shareholders' funds	150,960	—
Revenue return before dividends	2,418	866
Capital losses	(6,970)	(7,156)
	146,408	(6,290)
Dividend in respect of ordinary shares	(1,910)	(720)
Issue of shares	—	157,970
Share buy-backs	(692)	—
Closing shareholders' funds	143,806	150,960

	30 September 2002 £000	30 September 2001 £000
23 Commitments and contingencies		
Outstanding calls on investments	190,977	117,433

This represents commitments made to fund investments remaining undrawn.

24 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 2002 the Manager charged management fees totalling £823,000 (period 29 May to 30 September 2001–£217,000) to the Company in the normal course of business.

Hamish Buchan, a Director of the Company, received a consultancy fee for general advice of £3,500 from Standard Life Investments Limited, a company in the Standard Life group.

25 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.

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, nearly all of the Company's liquidity is currently held in that currency. No currency swaps or forwards were used during the year. The table overleaf sets out the Company's currency exposure.

25 Risk management, financial assets and liabilities–contd

Currency exposure at 30 September 2002.

	Interest Rate %	Local Currency 000s	Foreign Exchange Rate	Sterling Equivalent £000
Investments:				
Sterling		44,292	—	44,292
Euro		63,879	1.5913	40,143
US dollar		3,548	1.5726	2,256
'AAA' rated money market funds	3.24	95,750	1.5913	60,171
Cash and liquidity:				
Sterling	2.33	295	—	295
US dollar	0.65	162	1.5726	103
Euro	1.64	103	1.5913	65
Total				147,325
Commitments:				
Sterling		44,538	—	44,538
US dollar		76,672	1.5726	48,755
Euro		155,445	1.5913	97,684
Total				190,977

Currency exposure at 30 September 2001.

	Interest Rate %	Local Currency 000s	Foreign Exchange Rate	Sterling Equivalent £000
Investments:				
Sterling		45,900	—	45,900
Euro		41,473	1.6138	25,699
'AAA' rated money market funds	4.75	79,000	—	79,000
Cash and liquidity:				
Sterling	4.01	1,534	—	1,534
US dollar	1.71	1,572	1.4697	1,069
Euro	2.13	—	1.6138	—
Total				153,202
Commitments:				
Sterling		28,220	—	28,220
US dollar		37,982	1.4697	25,845
Euro		102,263	1.6138	63,368
Total				117,433

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.

Interest rate risk

'AAA' rated money market funds, cash and short-term deposits are held in floating rate accounts. The benchmark that determines the interest received or paid on sterling balances is the sterling bank base rate which was 4% as at 30 September 2002 (30 September 2001–4.75%). Interest on US dollar and euro balances is based on variable interest rates. Interest rates earned at the year end are detailed in the table 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 twice yearly in the preliminary announcement of the Company's annual and interim results and subsequently in the relevant published report to shareholders.

ISA (Individual Savings Accounts)

Lump sum and regular savings ISAs in the Company's ordinary shares are offered by Standard Life Savings Limited. These provide a tax free wrapper 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 5WT 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 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

May – Interim results announced

June – Interim report published

The Annual General Meeting will be held at 1 George Street, Edinburgh EH2 2LL on Monday, 27 January 2003 at 12.30pm.

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of Standard Life European Private Equity Trust PLC will be held at 1 George Street, Edinburgh on 27 January 2003 at 12.30pm, for the following purposes:

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

1. That the report and accounts for the year ended 30 September 2002 be received.

2. That a final dividend of 1.2p per ordinary share be approved.

3. That Mr Hamish Buchan, who retires from office by rotation, be re-elected as a Director.

4. That PricewaterhouseCoopers be re-appointed as auditors and that the Directors be authorised to determine their remuneration.

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

5. That the Company be authorised, in accordance with section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 0.2p each ("ordinary shares") in the share capital of the Company, provided that:

   (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99 per cent of the issued ordinary shares on the date on which the resolution is passed;

   (ii) the minimum price which may be paid for an ordinary share shall be 0.2p;

   (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be 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 26 July 2004 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2004, 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, 20 December 2002

Notes:

The final dividend, if approved, will be paid on 6 February 2003 to ordinary shareholders on the Company's share register at the close of business on 10 January 2003.

A member 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 member of the Company.

A form of proxy for use by ordinary shareholders is enclosed with this report. Proxies must be lodged with the Company's registrars, 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.

To have the right to attend and vote at the meeting, an ordinary shareholder must first have their name entered in the Company's share register not later than 48 hours before the time appointed for the meeting. Changes or entries to the Company's share register after that time shall be disregarded in determining the rights of any holder of ordinary shares to attend and vote at the meeting.

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 ____ BLOCK

of ____ CAPITALS

____ PLEASE

being (a) member(s) of the Standard Life European Private Equity Trust PLC, hereby appoint the Chairman of the Meeting (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 27 January 2003 at 12.30pm, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

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

Resolution	For	Against
1. To receive the report and accounts for the year ended 30 September 2002		
2. To approve a final dividend of 1.2p per ordinary share		
3. To re-elect Mr Hamish Buchan as a Director		
4. To re-appoint PricewaterhouseCoopers as auditors and to authorise the Directors to determine their remuneration		
5. To renew the Directors' authority to purchase the Company's 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 member 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 member from attending the Meeting and voting in person should he/she so wish.

Second fold

RESPONSE LICENCE No
SEA 10850

1

LLOYDS TSB REGISTRARS
THE CAUSEWAY
WORTHING
BN99 6ZR

First Fold

Third fold and tuck in