STANDARD LIFE INVESTMENTS

STANDARD LIFE INVESTMENTS (PRIVATE EQUITY) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Registered in Scotland Number SC184076

GENERAL INFORMATION

Directors
N K Skeoch, BA(Hons) MA FSI FRSA (Chairman)
W R Littleboy, BA(Hons) MA

Company Secretary
V J O'Brien, ACII

Registered Office
1 George Street
Edinburgh EH2 2LL
United Kingdom

Auditors
PricewaterhouseCoopers LLP
68 73 Queen Street
Edinburgh EH2 4NH
United Kingdom

REPORT BY THE DIRECTORS
for the year ended 31 December 2007

The directors submit their report and financial statements for the year ended 31 December 2007

Annual general meeting

As permitted by Section 366A of the Companies Act 1985, Standard Life Investments (Private Equity) Limited (the 'Company') has passed an elective resolution to dispense with the holding of an annual general meeting

Principal activities and business review

Prior to 1 October 2007 the principal activity of the Company was to provide private equity investment management services to other entities within the Standard Life Group and to third parties

On 29 June 2007 the Company became a member of a newly established limited liability partnership, SL Capital Partners LLP (LLP) On 1 October 2007 the Company contributed its private equity investment management business to the LLP Under the Contribution Agreement between the Company and the LLP, the Company transferred all its assets to the LLP except for a specified amount of cash and the LLP assumed all the Company's liabilities except for its tax liabilities In return, the Company received "A" and "C" units issued by the LLP The "A" units entitle the Company to 60% of the voting rights in the LLP and an allocation of 60% of the profits (as defined in the Members' Agreement) of the LLP The LLP issued "B" units to senior members of the private equity management team (Executive Members) The "B" units entitle the Executive Members to 40% of the voting rights in the LLP and an allocation of 40% of the profits (as defined in the Members' Agreement) of the LLP

As a result of this transaction the principal activity of the Company is now to hold a controlling interest in the private equity investment management business undertaken by SL Capital Partners LLP

The Company's result for the year ended 31 December 2007 is a profit of £6,977,000 (2006 £4,983,000) The directors consider the results to be satisfactory

Future outlook

The directors are confident of maintaining the current level of performance in the future

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks

Prior to 1 October 2007 key business risks to which the Company was exposed were the termination of management contracts under the terms of the partnership agreements and the retention of key employees

The purpose of the Company reorganisation was to significantly reduce the key personnel risks as the LLP will provide flexibility in terms of structure and operations and is consistent with the structure already employed by other managers in the private equity industry

After 1 October the Company still faces a number of risks, including competition from other providers of investment management services Information relating to the risks affecting financial assets and liabilities of the Company are contained in note 14 to this report and accounts

Directors

The names of the current Directors of the Company are shown on page 1

David Currie, Peter McKellar and Stewart Hay resigned as Directors of the Company on 30 September 2007

REPORT BY THE DIRECTORS
for the year ended 31 December 2007

Key performance indicators ('KPIs')

The directors of Standard Life Investments Limited, the Company's parent undertaking, manage the operations of the Group on a divisional basis The Company's directors therefore believe that an analysis using key performance indicators for the Company is not necessary nor appropriate for gaining an understanding of the development, performance or position of the business of the Company The development, performance and position of the Group is discussed on page 2 of the SLI annual report

Dividend

The directors approved the payment of a dividend for the year of £8,425,000 (2006 £4,000,000)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware

Each director has taken all the steps that he or she ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

REPORT BY THE DIRECTORS
for the year ended 31 December 2007
Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

On behalf of the Board of Directors

V J O'Brien, Secretary

Edinburgh, 1 May 2008

INCOME STATEMENT
for the year ended 31 December 2007

	Note	2007 £ 000	2006 £ 000
Revenue			
Management fee income		20,893	22,042
Expenses			
Administrative expenses		(9,817)	(15,833)
Operating profit	**3**	11,076	6,209
Interest income		716	541
Net foreign exchange loss		(100)	(145)
Profit before tax		11,692	6,605
Tax expense	**4**	(4,715)	(1,622)
Profit for the year attributable to equity holders of the Company		6,977	4,983

The notes on pages 9 to 20 form part of these financial statements

BALANCE SHEET
as at 31 December 2007

	Note	2007 £ 000	2006 £ 000
ASSETS			
Non current assets			
Investment in LLP	7	2,460	
Deferred tax assets	6		601
Total non current assets		2,460	601
Current assets			
Trade and other receivables	8		695
Cash and cash equivalents	9	3,406	9,674
Total current assets		3,406	10,369
Total assets		5,866	10,970
EQUITY			
Share capital	10	5	1,505
Retained earnings		1,332	2,780
Equity attributable to equity holders of the Company		1,337	4,285
LIABILITIES			
Current tax liabilities	6	11	13
Bank overdraft	9		130
Trade and other payables	11	4,518	6,542
Total liabilities		4,529	6,685
Total liabilities and equity		5,866	10,970

The notes on pages 9 to 20 form part of these financial statements

Approved on behalf of the Board of Directors and authorised for issue on 28 April 2008 by the following Director

N K Skeoch, Chief Executive

CASH FLOW STATEMENT
for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Profit before tax		11,692	6,605
Adjustments for			
Interest income classified as investing activity		(716)	(541)
Movement in operating assets and liabilities	**12**	(870)	4,116
Taxation paid	**6**	(4,116)	(4,270)
Net cash flows from operating activities		5,990	5,910
Cash flows from investing activities			
Interest received		716	541
Net cash flows from investing activities		716	541
Cash flows from financing activities			
Investments in LLP		(2,919)	
Redemption of preference share capital		(1,500)	
Equity dividends paid	**5**	(8,425)	(4,000)
Net cash flows from financing activities		(12,844)	(4,000)
Net (decrease)/increase in cash and cash equivalents		(6,138)	2,451
Cash and cash equivalents at the beginning of the year	**9**	9,544	7,093
Cash and cash equivalents at the end of the year	**9**	3,406	9,544

The notes on pages 9 to 20 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2007

	Share capital £'000	Retained earnings £'000	Total equity attributable to equity holders of the company £'000
At 1 January 2006	1,505	1,797	3,302
Profit for the year		4,983	4,983
Equity dividends		(4,000)	(4,000)
At 31 December 2006	1,505	2,780	4,285
At 1 January 2007	1,505	2,780	4,285
Profit for the year		6,977	6,977
Equity dividends		(8,425)	(8,425)
Redemption of share capital	(1,500)		(1,500)
At 31 December 2007	5	1,332	1,337

The Company did not recognise any income or expense directly in equity (2006 £NIL) The total recognised income for the year and prior year comprised of the profit for the year

The notes on pages 9 to 20 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of Standard Life Investments (Private Equity) Limited (the 'Company') have been prepared in accordance with
(1) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission (EC) for use in the European Union (EU), and
(2) those parts of the Companies Act 1985 applicable to companies reporting under IFRSs

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss (FVTPL) The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated All amounts are expected to be settled/recovered after more than 12 months unless otherwise stated in the notes to these financial statements

Investment in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies Such power, generally but not exclusively, accompanies a shareholding of more than one half of the voting rights Subsidiaries are fully consolidated in the Group accounts from the date on which control is transferred to the Group, until the date that control ceases

The Company uses the purchase method of accounting for the acquisition of subsidiaries The cost of an acquisition is measured as the cost of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition

(b) Revenue recognition

Investment management fees

All fees and costs are deemed to be associated with the provision of investment management services and are recognised, subject to recoverability, as the services are provided

Other operating income

As a result of the Company reorganisation, from 1 October 2007 the Company's income will consist primarily of dividends receivable as a result of its 60% holding in the LLP

(c) Expense recognition

Expenses

Expenses are recognised on an accruals basis

As of 1 October 2007, the Company has no direct expenses as it's business was transferred to the LLP

(d) Foreign currency

Foreign currency transactions and fair values are translated using the exchange rates applying to the functional currency, which is Sterling, prevailing at the dates of the transactions or at the date the fair value was determined, with related foreign currency exchange gains or losses reflected in the Income Statement Translation differences on non monetary items such as equities held at FVTPL, are reported as part of the fair value gain or loss

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(e) Impairment of non financial assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment An impairment loss is recognised in the Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit, or group of units, to which the asset belongs

(f) Income tax

(i) Current tax

The current tax expense is based on the taxable results for the year, using tax rates enacted or substantively enacted at the balance sheet date, including any adjustments in respect of prior years Amounts are charged or credited to the Income Statement or equity, as appropriate

(ii) Deferred tax

Deferred tax is provided, using the Balance Sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities

Deferred tax is recognised in the Income Statement except when it relates to items recognised directly in the Statement of Changes in Equity in which case it is credited or charged directly to Retained Earnings through the Statement of Changes in Equity

(g) Investment in LLP

The Company recognises the investment in the LLP at cost on the trade date of the transaction

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment where this is deemed necessary A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) may be considered indicators that the trade receivable is impaired

The amount of any provision is the difference between the asset's carrying amount and its estimated realisable value The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within "administrative expenses" When a trade receivable is uncollectible, it is written off against trade receivables Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the Income Statement

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, any short term, highly liquid investments which have a maturity date within three months of the date of acquisition and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management

(i) Trade payables

Trade payables are recognised at their initial fair value

(j) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements, and directly in equity, in the period in which the dividend is paid or, if applicable, approved by the Company's shareholders

(k) Standards, interpretations and amendments to published standards that are effective for the first time

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2007 These standards, amendments, and interpretations as described below

Both IFRS 7 Financial Instruments Disclosures, and amendments to IAS 1 Presentation of Financial Statements, are effective from 1 January 2007 IFRS 7 requires disclosures that enables users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those instruments The adoption of IFRS 7 has required the Company to make additional disclosures, which are disclosed in these financial statements and in note 12 The amendments to IAS 1 requires the Company to make new disclosures to enable users to evaluate the Company's objectives, policies and processes for managing capital These disclosures are contained in note 23 IFRS7 and the amendments to IAS1 did not have any impact on the Company's financial instruments

IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006) required consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether they fall within the scope of IFRS 2 The Company applied IFRIC 8 from 1 January 2007 and it did not have a significant impact on the Company's financial statements

IFRIC 9 Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006) required an assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the Company first becomes a party to that contract Subsequent reassessment is prohibited, unless there is a change in the contract's terms, in which case it is required The Company applied IFRIC 9 from 1 January 2007 and it did not have a significant impact on the Company's financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

Revised standards and interpretations IAS 1 Presentation of Financial Statements (effective from 1 January 2009), IAS 23 Borrowing Costs (effective from 1 January 2009) , IFRIC 12 Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008), IFRIC 13 Customer Loyalty Programmes (effective for periods beginning on or after 1 July 2008), IFRIC 14 IAS 19 The Limitation on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Effective from 1 January 2008) These are not expected to have a material impact on the financial statements of the Company

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007) The interpretation provides guidance on accounting for share based transactions involving treasury shares or involving group entities and considers accounting for such transactions as equity settled and as cash settled share based payment transactions The Company will apply IFRIC 11 from 1 January 2008 but it is not expected to have a significant impact on the Company's financial statements

Standards, interpretations and amendments to published standards that are not yet effective and/or are not expected to be applicable to the Company

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009), IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006), IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006), IFRIC 12 Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008)

2 KEY ESTIMATES AND JUDGEMENTS

The preparation of financial statements, in conformity with generally accepted accounting principles (IFRS GAAP), requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period

Key judgements made in selecting accounting policies and critical accounting estimates

In the process of applying the Company's accounting policies, management has used its judgement and made estimates and assumptions in determining the amounts recognised in the financial statements These estimates and assumptions can affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period Although these estimates are based on management's best knowledge of the amount, event or actions, results ultimately may differ from these estimates The most significant areas where judgements and

Cash Flow Statement:
The indirect method was chosen on the basis that it is simpler than the direct method and is consistent with the approach adopted by our peers

3. OPERATING PROFIT

The following have been included in operating profit	2007 £'000	2006 £'000
Auditor's remuneration		
Statutory audit	44	50

As of 1 October 2007, the Company has no employees and expenses previously met by other members of the Group will now be rechargeable to the LLP and it's subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

4. TAX EXPENSE

(a) Analysis of the tax charge for the year	2007 £'000	2006 £'000
Current tax		
United Kingdom corporation tax	4,116	1,828
Previous year adjustment	(2)	
Total current tax	**4,114**	**1,828**
Deferred tax		
Deferred tax income arising from the current year (note 6)	601	(206)
Total deferred tax	**601**	**(206)**
Total tax expense	**4,715**	**1,622**

(b) Tax reconciliation	2007 £'000	2006 £'000
Profit before tax	11,692	6,605
Tax at UK corporation tax rate of 30% (2006 30%)	3,508	1,981
Effects of		
Transfer pricing	(309)	
Share of LLP profits not yet distributed	1,150	
Permanent differences		68
Income not subject to tax	360	(457)
Other	4	30
Previous year	2	
Total tax expense	**4,713**	**1,622**

5. DIVIDENDS PAID

	2007 £'000	2006 £'000
Dividends paid to parent undertaking	8,425	

6. TAX ASSETS AND LIABILITIES

	2007 £'000	2006 £'000
Deferred tax assets		601
Total tax assets		**601**
Current tax liabilities	11	13
Total tax liabilities	**11**	**13**

Tax assets and liabilities recoverable or payable in more than one year are £nil (2006 £426k)

Recognised deferred tax

	2007 £'000	2006 £'000
Deferred tax assets comprise:		
Employee benefits		601
Total deferred tax assets		**601**
Movements in net deferred tax assets comprise:		
At 1 January	601	396

NOTES TO THE FINANCIAL STATEMENTS

Amounts credited to the income statement (note 4)	(601)	205
At 31 December		**601**

NOTES TO THE FINANCIAL STATEMENTS

7 INVESTMENTS IN LLP

On 29 June 2007 the Company became a member of a newly established limited liability partnership, SL Capital Partners LLP (LLP). On 1 October 2007 the Company contributed its private equity investment management business to the LLP Under the Contribution Agreement between the Company and the LLP, the Company transferred all its assets to the LLP except for a specified amount of cash and the LLP assumed all the Company's liabilities except for its tax liabilities In return, the Company received "A" and "C" units issued by the LLP The "A" units entitle the Company to 60% of the voting rights in the LLP and an allocation of 60% of the profits (as defined in the Members' Agreement) of the LLP The LLP issued "B" units to senior members of the private equity management team (Executive Members) The "B" units entitle the Executive Members to 40% of the voting rights in the LLP and an allocation of 40% of the profits (as defined in the Members' Agreement) of the LLP

	2007 £'000
At 1 January	
Net assets transferred to LLP under contribution	
Trade and other receivables	893
Cash and cash equivalents	2,919
Trade and other payables	(1,352)
At 31 December	**2,460**

8 TRADE AND OTHER RECEIVABLES

	2007 £'000	2006 £'000
Amounts due from related parties		619
Prepayments and accrued income		3
Other		73
Total trade and other receivables		**695**

All of the financial assets listed above are non interest bearing There are no impaired or past due assets (2006 £70,000 past due but not impaired)

9. CASH AND CASH EQUIVALENTS

	2007 £'000	2006 £'000
Cash at bank and in hand	3,406	16
Demand and term deposits with original maturity of less than 3 months		9,658
Total cash and cash equivalents	**3,406**	**9,674**
Cash and cash equivalents	3,406	9,674
Bank overdrafts		(130)
Total cash and cash equivalents for cash flow	**3,406**	**9,544**

Cash at bank and in hand, deposits and overdrafts are subject to variable interest rates

NOTES TO THE FINANCIAL STATEMENTS

10. SHARE CAPITAL

	Authorised			
	2007		2006	
	No.	£'000	No	£'000
Ordınary Shares of £1 each	200,000	200	200,000	200
Redeemable Preference Shares of £1 each	1,500,000	1,500	1,500,000	1,500
	1,700,000	1,700	1,700,000	1,700

	Allotted, Called Up and Fully Paid			
	2007		2006	
	No.	£'000	No	£'000
Ordınary Shares of £1 each	5,000	5	5,000	5
Redeemable Preference Shares of £1 each			1,500,000	1,500
	5,000	5	1,505,000	1,505

The redeemable preference shares were redeemed on 30 September 2007 for par value as part of the reorganısatıon of the prıvate equıty busıness

11 TRADE AND OTHER PAYABLES

	2007 £'000	2006 £'000
Amounts due to related partıes	4,117	2,742
Amounts due to subsıdıarıes	393	
Other	8	3,800
Total trade and other payables	**4,518**	**6,542**

All trade and other payables are expected to be settled wıthın 12 months and are held at approxımately theır

12. MOVEMENT IN OPERATING ASSETS AND LIABILITIES

	2007 £'000	2006 £'000
Movement in operating assets:		
Trade and other receıvables	695	662
Transfer of the busıness to LLP (note 7)	(893)	
Total movement ın operating assets	(198)	662
Movement in operating liabilities:		
Net lıabılıtıes transferred	1,352	
Trade and other payables	(2,024)	3,454
Total movement in operating liabilıtıes	(672)	3,454
Movement in operating assets and liabilities	**(870)**	**4,116**

13. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carryıng value of all fınancıal assets and lıabılıtıes approxımates theır faır value

NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL RISK MANAGEMENT

(a) Standard Life plc approach to risk management

Standard Life plc, the ultimate parent of the Group, has established an Enterprise Risk Management Framework (ERM) to provide the basis for ensuring that risks inherent in the design and execution of Group strategy are managed in line with its expectations

(b) SLI approach to risk and capital management

SLI operates within the governance structure Standard Life plc which has its own established governance framework, with clear terms of reference for the Board and Operational Risk Committee and a clear organisation structure, with documented, delegated authorities and responsibilities SLI has an Audit Committee, which includes stakeholder representatives

SLI takes and manages risks to achieve its corporate, financial and regulatory objectives The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form SLI's risk profile The Board has approved a Risk Policy which outlines the framework for identifying, assessing, monitoring and controlling risk

Capital is managed within the regulatory framework in which SLI operates This makes use of an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Board to identify the risks to which the business is exposed and to quantify their impact on economic capital, including changes thereto by way of stress and scenario tests The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk SLI is required at all times to maintain at least this level of capital SLI's calculation thereof is subject to review by the Financial Services Authority (FSA) who also monitor compliance by way of quarterly and annual submissions made by SLI and periodic visits

The ICAAP is subject to high level quarterly review within the SLI, with detailed annual review and approval by the Board If there are any risks identified outwith these timescales, through internal or external events, or significant business developments, that could have a material impact on SLI's financial position, Risk and Compliance will co ordinate an immediate review of the ICAAP and arrange for its resubmission to the Board where necessary

NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL RISK MANAGEMENT (continued)

(c) The management of financial and non financial risks

(i) Credit risk

The Company is exposed to credit risk through capital investments, cash and margin deposits, trade debtors and intercompany balances Credit exposures are managed according to limits agreed by the Group's Operational Risk Committee, which are regularly reviewed These limits specify the minimum acceptable counterparty credit rating (A 1 Standard & Poors, P 1 Moody's for short term exposures and higher credit ratings for longer term exposures) and the maximum acceptable exposure to a single counterparty

Until 1 October 2007, management fee income was the primary source of the Company's revenues and was the largest component of Trade and other receivables After the reorganisation of the Company, the majority of the Company's revenues are derived from dividends due from the LLP

Cash deposits, comprising the majority of Cash and cash equivalents, are placed for terms of less than 3 months, with counterparties selected according to the criteria noted above

The table below provides an analysis of total assets bearing credit risk

	2007 £'000	2006 £'000
Trade and other receivables		692
Cash and cash equivalents	3,406	9,674
	3,406	10,367

At the balance sheet date, none of the financial assets above were impaired or past due

(ii) Market risk

Market risk is the risk of adverse impact on the Company of changes in the fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates, property prices and equity prices

SLI uses sensitivity test based analysis including market and property value changes, foreign exchange and interest rate movements, detailed in its ICAAP, to understand their impact on expected earnings for decision making and planning purposes

The impact of a fall in asset values at a point in time is limited to the impact on dividends receivable from the LLP

NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL RISK MANAGEMENT (continued)

(c) The management of financial and non financial risks (continued)

(ii) Market risk (continued)

The Company transacts most of its business in Sterling but has exposure to foreign exchange movements through dividend income derived from US Dollar or Euro denominated assets, all unhedged The Company's currency exposure at the balance sheet date was as follows

2007

	Sterling £'000	Euro £'000	Other currencies £'000
Investment in LLP	2,460		
Cash and cash equivalents	3,402	4	
	5,862	4	0

2006

	Sterling £'000	Euro £'000	Other currencies £'000
Trade and other receivables	689		3
Cash and cash equivalents	9,667	7	
	10,356	7	3

A 10% movement in the exchange rate between Sterling and SLI's two material foreign currency exposures would have no significant impact on the profit or equity of the Company

The Company is exposed to interest rate risk through its cash and cash equivalents as disclosed in the Balance Sheet A sensitivity impact of interest rate change on the profits of the Company are shown below

2007

	10% increase in interest rates £'000	10% decrease in interest rates £'000
Impact on profit before tax		
Cash and cash equivalents	20	(20)

2006

	10% increase in interest rates £'000	10% decrease in interest rates £'000
Impact on profit before tax		
Cash and cash equivalents	55	(55)

(iii) Liquidity risk

Liquidity risk is the risk of the Company being unable to maintain sufficient cash and marketable securities to enable it meet cashflow obligations as they fall due

The Company's cashflows are such that short term liabilities are generally matched by similarly short term assets, and longer term liabilities are covered by short term assets, normally held in cash or highly liquid securities The Group manages its liquidity risk by regular monitoring of its cash position, credit control including credit risk assessment noted above, forward planning including cash flow analysis and regular reporting thereon to the Board and the Operational Risk Committee

NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL RISK MANAGEMENT (continued)

(c) The management of financial and non financial risks (continued)

(iii) Liquidity risk (continued)

The company has no surplus cash

The following table represents the Company's ability to meet its cash commitments as they fall due

	2007		2006	
	Less than 1 year	**Greater than 1 year**	**Less than 1 year**	**Greater than 1 year**
	£'000	£'000	£'000	£'000
Current tax liabilities	11		13	
Bank overdraft			130	
Trade and other payables	4,518		6,542	
	4,529		6,685	
Liquid assets	3,406		10,370	
Surplus/(Deficit)	(1,123)		3,685	

All of the above amounts are recorded at their carrying cost which is considered to be their fair value

15. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Company's parent is SLI whilst its ultimate controlling parent is Standard Life plc For copies of the ultimate parent's accounts please write to

Standard Life plc, Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH

Transactions between and balances with related parties

In the normal course of business, the Company enters into transactions with related parties that relate to the investment management business Such related party transactions are at arms length

The following are details of significant transactions with related parties during the year and year end balances arising from such transactions

	2007			
	Revenues	**Expenses**	**Amounts owed by related parties**	**Amounts owed to related parties**
	£'000	**£'000**	**£'000**	**£'000**
Key management personnel		7,465		
Parent	530	554		
Other	18,128	1,588		4,117
	18,658	**9,607**		**4,117**

NOTES TO THE FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS (continued)

Transactions between and balances with related parties (continued)

	2006			
	Revenues	**Expenses**	**Amounts owed by related parties**	**Amounts owed to related parties**
	£'000	**£'000**	**£'000**	**£'000**
Key management personnel		2,572		
Parent	621	975		632
Other	21,421	1,964	619	2,110
	22,042	**5,511**	**619**	**2,742**

Dıvıdends approved and paıd to the parent amounted to £8,425,000 (2006 £4,000,000)

Transactıons wıth related partıes were made at market rates The amounts outstandıng are unsecured and wıll be settled ın cash No guarantees have been gıven or receıved No expense for bad and doubtful debts has been recognısed ın the year ın respect of the amounts owed by related partıes

Compensation of key management personnel

Key management personnel of the Company ınclude all dırectors and certaın dırect reports of the Chıef Executıve Offıcer of Standard Lıfe Investments Lımıted A number of the key management personnel of the Standard Lıfe plc are also key management personnel of a number of entıtıes wıthın SLI For the purposes of thıs note, an apportıonment of the total compensatıon has been made based on an estımate of the servıces rendered The key personnel compensatıon apportıoned to the Company was as follows

	2007	**2006**
	£'000	**£'000**
Short term employee benefıts	3,812	2,124
Post employment benefıts		20
Other long term benefıts		224
Termınatıon benefıts	3,653	204
	7,465	**2,572**

Of the amounts dısclosed above, the followıng ıs ın respect of the dırectors of the Company

	2007	**2006**
	£'000	**£'000**
Aggregate emoluments	7,465	2,348
Amounts receıvable under long term ıncentıve schemes		224

As of 1 October 2007, the three dırectors of the Company who were partıcıpants ın long term ıncentıve schemes are no longer partıcıpatıng ın the schemes Any benefıts that arose under the ıncentıve schemes durıng the perıod up to 30 September 2007 are recorded ın the perıod ın whıch entıtlement ıs determıned

Prıor to 1 October 2007, retırement benefıts were accruıng to three dırectors ın respect of theır servıces to the Company under a defıned benefıt scheme operated by the Standard Lıfe Group Upon theır resıgnatıons as employees of Standard Lıfe Investments, no further amounts wıll be accrued

The hıghest paıd dırector of the Company receıved aggregate remuneratıon, ıncludıng redundancy, durıng the year of £3,563,000 (2006 £1,648,000) At 31 December 2007, the hıghest paıd dırector also held accrued pensıon benefıts of £39,000 (2006 £72,000) under the defıned benefıt pensıon scheme operated by the Standard Lıfe Group

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STANDARD LIFE INVESTMENTS (PRIVATE EQUITY) LIMITED

We have audited the financial statements of Standard Life Investments (Private Equity) Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh, 05 May 2008