# F&C Private Equity Trust plc

Interim Report and Accounts

for the six months ended

30 June 2008

# Company Summary

### The Company

The Company was launched in March 1999 as part of the reorganisation of The Scottish Eastern Investment Trust plc with the objective of managing the private equity investments formerly held by The Scottish Eastern Investment Trust plc so as to realise those assets and return cash to Shareholders.

In August 2001, the Company was reorganised and Shareholders were given the opportunity to convert all or part of their existing ordinary shares into A shares (now renamed Restricted Voting shares) and B shares (now renamed Ordinary shares) as outlined below.

In August 2005, Shareholders approved a change of company name from Martin Currie Capital Return Trust plc to F&C Private Equity Trust plc and the Company issued 49,758,449 C shares following the acquisition of Discovery Trust plc and a subscription of £20 million by Friends Provident. The C shares subsequently converted into Ordinary shares.

### Objective

The Ordinary shares objective is to achieve long term capital growth through investment in private equity assets.

The Company's Restricted Voting shares objective is to manage the existing assets and to realise the value of those assets in a tax efficient manner and return capital to shareholders.

### Management

The Board has appointed F&C Investment Business Limited as investment managers under a contract terminable by either party giving to the other not less than six months' notice.

**Net assets as at 30 June 2008**

£189.5 million

**Shareholders' funds as at 30 June 2008**

Ordinary shares £184.5 million
Restricted Voting shares £5.0 million

**Market capitalisation as at 30 June 2008**

Ordinary shares £130.1 million
Restricted Voting shares £10.2 million

**Capital structure from September 2007**

72,282,273 Ordinary shares of 1 pence; and
67,084,807 Restricted Voting shares of 1 pence.

*Front cover:* Ben Lui by Derek Sime

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The Association of Investment Companies

**If you have sold or otherwise transferred all of your shares in F&C Private Equity Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.**

# Financial Highlights for the six months ended 30 June 2008

- NAV total return for the six months of 9.4 per cent for the Ordinary shares;
- NAV total return for the six months of 0.6 per cent for the Restricted Voting shares;
- Ordinary share revenue dividend of 0.5 pence declared;
- Restricted Voting share special dividend of 1.0 pence paid;
- Realisation of private equity assets of £17.5 million;
- New investment in private equity assets of £34.5 million.

# Performance Summary

| | **As at 30 June 2008** | As at 31 December 2007 | % change |
|---|---|---|---|
| **Net Asset Value** | | | |
| Net assets (£'000) | **189,469*** | 198,908 | –4.7* |
| Net asset value per: | | | |
| Ordinary share (fully diluted) | **251.86p** | 231.08p | +9.0 |
| Restricted Voting share | **7.50p*** | 44.56p | –83.2* |
| **Market Price** | | | |
| Ordinary share | **180.0p** | 187.00p | –3.7 |
| Restricted Voting share | **15.25p*** | 48.50p | –68.6* |
| Discount/(premium): | | | |
| Ordinary share | **28.5%** | 19.1% | – |
| Restricted Voting share | **(103.3%)** | (8.8%) | – |
| **Income** | | | |
| Revenue return after taxation (£'000) | **424** | 1,392 | |
| Revenue return per: | | | |
| Restricted Voting share | **0.08p** | 0.60p | |
| Ordinary share (fully diluted) | **0.50p** | 1.34p | |
| Dividend per: | | | |
| Ordinary share | **0.50p** | 1.35p | |
| Restricted Voting share | **–** | 0.60p | |

| | **2008 Ordinary Shares** | **2008 Restricted Voting Shares** |
|---|---|---|
| **Portfolio Summary** | | |
| Shareholders' funds (£'000) | **184,435** | **5,034** |
| Future commitments (£'000) | **166,301** | **1,898** |
| **Total Returns***† | | |
| Net asset value (fully diluted) | **9.4** | **0.6** |
| Share price | **(3.3)** | **4.8** |

* A return of capital on Restricted Voting shares of 36.25 pence, amounting to £24.3 million in aggregate was paid on 25 January 2008.

† Total return is the combined effect of any dividends paid, together with the rise or fall in the net asset value or share price. Any dividends are assumed to have been re-invested in either the Company's assets or in additional shares.

# Chairman's Statement

**David Simpson** Chairman

Your Company has continued to make good progress during the first half of 2008. The net asset value (''NAV'') of the Ordinary share (formerly B Share) pool had increased to £184.5 million at 30 June 2008, giving a fully diluted asset value per Ordinary share of 251.86p, and a total return of 9.4 per cent for the year to date. The Board has declared an interim dividend of 0.5 pence per Ordinary share.

The net assets of the Restricted Voting Share (formerly A Share) pool had decreased to £5.0 million at the same date, following the declaration and payment of a special dividend of 1.0 pence during the half year. The total return for the Restricted Voting Shares was 0.6 per cent.

Share price performance did not reflect the fundamental progress, with the price per ordinary share decreasing by 3.7 per cent to 180.0 pence at 30 June 2008, as the discount at which the shares trade widened from 19.1 per cent to 28.5 per cent.

The Restricted Voting Share price was 15.25 pence at 30 June, a premium of 103.3 per cent to net asset value. This premium in large part reflects a value being placed by the Market on potential payment from the Dakota, Minnesota and Eastern Railroad (now part of the Canadian Pacific Railway) relating to the future construction of the Powder River Basin extension. In line with our valuation methodology no value has been placed on these contingent payments in either the Ordinary or Restricted Voting Share net asset value.

The Company had outstanding undrawn commitments of £168 million at 30 June. We had not drawn upon our £40 million revolving credit facility at that date, although we have since drawn down £15 million. The Company is now geared by 8 per cent which we expect will contribute to shareholder returns over the long term.

The single biggest contributor to the increase in net asset value was Viking Moorings, a market leader in oil rig mooring systems which had traded very strongly, and we expect to see this investment, valued at £12.1 million at 30 June, realised during the second half of the year.

More details of both realisations and new commitments can be found in the Manager's Review. I would emphasise the range of new commitments; Spain, Switzerland, the Nordic region and the United States all featured prominently, while our £5 million commitment to Environmental Technologies Fund, with its ''clean tech'' remit and our £4 million investment into the Inflexion-led buy-out of SMD Hydrovision are examples of our increasing sectoral diversity.

Against the backdrop of continued volatility in financial markets the resilience of our portfolio is encouraging. Although some sales processes may have been delayed by the challenging funding environment our experience demonstrates that good quality companies remain in demand. The robust and responsive disciplines of the Private Equity Market provide us with a measure of protection against economic slowdown, especially when combined with the strength and depth of an investment portfolio of marked diversity.

**David Simpson**

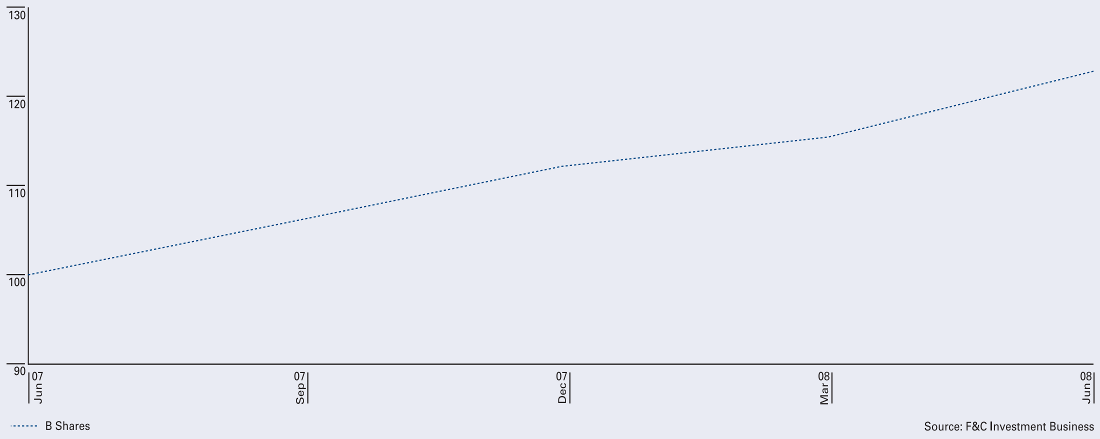
Chairman

22 August 2008

# Ordinary Share Performance

For the 12 months to 30 June 2008

F&C Private Equity Trust Net Asset Value Total Return for the 12 months to 30 June 2008




# Manager's Review

### Investment Strategy

The Company's investment strategy of focusing on mid market managers and co-investments in this segment has been relatively undisturbed by the effects of the credit crunch. As we describe below there has been considerable investment and realisation activity, albeit at lower levels than last year, and our managers in this category have been well occupied. In most new deals there is a smaller debt component than in previous years and there is some evidence of prices beginning to decline. We have always tended to back managers who favour companies with strong growth prospects and to avoid those who focus on narrow economically sensitive sectors. Given the spreading evidence of economic slowdown we will continue to adhere to that strategy. The great majority of our investment partners regard the current conditions as conducive to good investments without being too adverse for existing portfolios. We will monitor how these assessments change as the remainder of 2008 unfolds.

### New Investments

New investment activity has continued strongly into 2008 with total new investments of £34.5 million. This included £4 million invested directly into the Inflexion led buy-out of SMD Hydrovision. This company is the world's leading privately owned designer and manufacturer of specialised systems for laying subsea cables and pipelines in trenches as well as the world's second largest supplier of Workclass Remotely Operated Vehicles ''WROVs'', electrically powered unmanned submarines that are able to work in depths and conditions that would otherwise be inaccessible for human divers. SMD Hydrovision primarily supplies the oil and gas sector as well as providing equipment for the telecoms, renewable energy, mining and defence industries. F&C Private Equity Trust (''F&C PET'') acquired 9.6 per cent of SMD Hydrovision in the £70 million buy-out. A further £1 million was invested in SMD Hydrovision through the Inflexion 2006 Buy-out Fund.

Another co-investment was F&CPET's £3.2 million into Italian security company Sicurglobal where we have invested alongside Stirling Square Capital Partners in this €186 million buy-out. Our €4 million gives us 6.5 per cent of the company. It is a prime beneficiary of imminent deregulation in the Italian security market which will allow the company to grow both organically and by acquisition across the regions of Italy. The acquisition multiple is below 8x EBITDA.

There was a wide range of other new investments from our funds. Some of the larger ones include £1.6 million by Candover 2005 into Dutch engineering conglomerate Stork NV; £0.5 million by AIG New Europe fund into Orzel Bialy, a Polish waste management company specialising in recycling car batteries; £0.86 million by TDR Capital into Algeco/ Scotsman, the modular buildings manufacturer; £0.4 million by DBAG V in ICTS, a leading company in aviation security systems; £0.4 million by Gilde Buy-out fund III in Hofmann Menu, a market leading provider of frozen food products; £0.4 million in Veinsur , a Spanish truck dealer by Ibersuizas II and £0.7 million into the 'take private' of Biffa plc the market leader in industrial and commercial waste collection through the Montagu III fund. These diverse companies have the common characteristics of strong positions in growing niche markets. In all cases these have involved debt as the majority of the consideration illustrating that not withstanding the 'credit crunch' well connected private equity groups in the mid market remain capable of executing transactions in their traditional fashion.

### Realisations

The first half has seen considerable exit activity and this has lead to distributions of £17.5 million. Notable examples include the sale of Algeco/ Scotsman by TDR I yielding £2.3 million, a 3.5x investment multiple and 90 per cent IRR. As mentioned above we have rolled forward part of the proceeds of the sale as part of a larger deal in TDR fund II. The sale of dental company IDH by LGV Fund 5 achieved an investment multiple of 4.3x, an IRR of 127 per cent and an inflow of £1.9 million to F&CPET. The earlier LGV Fund 4 also had a realisation in the healthcare sector with the sale of Classic Hospitals which yielded £0.86m with an investment multiple of 2.7x and IRR of 50 per cent. Candover 2005 fund has sold Norwegian cable company GET returning £0.7 million for F&CPET, a multiple of 2.2x and IRR of 50 per cent. Healthcare Homes was sold by August Equity I for an investment multiple of 2.4x and an IRR of 34 per cent returning £4.9 million to F&C PET. Inflexion sold Tekton for a multiple of 1.75x cost, achieving an IRR of 53 per cent and a £0.7 million inflow. CF Holdings (Continental Foods) a longstanding holding of International Mezzanine Investments NV, was sold at a multiple of 1.8x. Allen & Heath, the professional DJ equipment manufacturer was sold by Close Brothers Growth Capital for a 1.9x multiple and 40 per cent IRR, returning £0.7 million. In the venture capital area, Life Science Partners have sold German portfolio company U3 Pharma to Daiichi Sankyo of Japan achieving an IRR of over 100 per cent and £0.7 million inflow. Once again these realisations are being achieved across diverse industries and benefiting from varying trends and evidence a level of activity which belies the feel of market slowdown.

### New Commitments

We continue to broaden and strengthen the portfolio with commitments to new funds. F&CPET made seven new commitments during the first half of the year; €9 million to Spanish fund N+1 Fund II, €9 million to Swiss based fund Capvis III and £5 million to Environmental Technologies Fund, our first investment in the 'cleantech' area. We have broadened the portfolio through the addition of two Nordic region oriented buy-out funds. In Norway we have committed 60m NOK (£6 million) to Herkules (formerly known as Ferd) and in Sweden we have committed €7 million to the well known mid market firm Procuritas. In addition we have made a follow on commitment to Hutton Collins of €10 million for their third mezzanine fund building on a successful experience in two previous funds. Similarly we have continued our support of Baltimore-based Camden Partners by committing $10 million to their Strategic Fund IV.

### Valuation Changes

There were many small valuation changes over the first half of the year reflecting the trading performance and progress towards exit of underlying companies. On a fundamental basis our investment in metal shelving and locker manufacturer Whittan has performed well and there is an uplift of £0.8 million over the period. F&CPET received a small escrow payment relating to the sale of Dakota, Minnesota and Eastern Railroad and this added £0.5 million to the Company's valuation. The most significant valuation change has been the increase in value of our Inflexion co-investment, Viking Moorings, which has been uplifted by £8.7 million and has also largely contributed to a £2 million uplift in each of the Inflexion 2003 Fund and Hickory Fund Portfolio, also managed by Inflexion. Viking, the market leader in oil rig mooring systems in the North Sea, has traded very strongly. Inflexion are exploring exit possibilities and there is scope for further value improvement should an exit be achieved. Other movements in valuation include uplifts of £0.7 million from DBAG V and some notable improvement in the venture capital area with an uplift of £0.4 million for Life Science Partners III. There have been no material downgrades to reflect adverse trading or adoption of reduced valuation multiples but several funds have slight declines to reflect their early stage 'J Curve' status. In order to build future value it is necessary to incur this upfront 'cost'.

**Outlook**

The two related features of the current investment environment are the 'credit crunch' and the resulting parallel economic slowdown which is becoming manifest across the world to varying degrees. There are some signs that the consumer related sectors are feeling the adverse effects of these but this is a fairly lightly represented sector in our portfolio. It is very clear to us that capable management operating with the support of experienced value-adding private equity investors will cope better in the downturn and should still in most cases deliver good long term returns. The private equity investor who is customarily in receipt of timely and detailed information on his investee companies and who has the ability to respond to this information by virtue of a controlling shareholding is arguably much better placed to respond to these challenging conditions than investors in public companies. In the stockmarket company information, whilst more widely disseminated, is not as timely or as detailed and investors are generally unable to instigate management or strategic change. The motivated and focused ownership which is the heart of private equity is most critical in challenging conditions. Our investment partners have been selected on their proven ability to respond well to such conditions and for many of them the adjustment in the value of companies is much more of an opportunity than a threat. Through our ongoing commitments and our substantial co-investment capacity F&CPET is well placed and its broad portfolio can to some extent act as a protective shield against the inevitable jolts of economic slowdown.

**Hamish Mair**

22 August 2008

# Portfolio Holdings

As at 30 June 2008

| Investment | Geographic Focus | Total Valuation £'000 | % of Total Portfolio | Restricted Voting Pool Valuation £'000 | % of Restricted Pool Portfolio | Ordinary Pool Valuation £'000 | % of Ordinary Pool Portfolio |
|---|---|---|---|---|---|---|---|
| **Buyout Funds – Pan European** | | | | | | | |
| Argan Capital LP | Europe | 8,143 | 4.3 | – | 0.0 | 8,143 | 4.4 |
| Candover 2005 | Europe | 7,492 | 4.0 | – | 0.0 | 7,492 | 4.1 |
| Candover 2001 | N. Europe | 3,639 | 1.9 | – | 0.0 | 3,639 | 2.0 |
| Montagu III | Europe | 2,427 | 1.3 | – | 0.0 | 2,427 | 1.3 |
| TDR Capital | N. Europe | 2,294 | 1.2 | – | 0.0 | 2,294 | 1.2 |
| Candover 1997 | N. Europe | 400 | 0.2 | 252 | 5.0 | 148 | 0.2 |
| **Buyout Funds – Pan European** | | **24,395** | **12.9** | **252** | **5.0** | **24,143** | **13.1** |
| **Buyout Funds – UK** | | | | | | | |
| August Equity Partners I | UK | 5,159 | 2.7 | – | 0.0 | 5,159 | 2.8 |
| Penta F&C Co-Investment Fund L.P. | UK | 4,860 | 2.6 | – | 0.0 | 4,860 | 2.6 |
| Hickory Fund Partnership LP | UK | 4,234 | 2.2 | – | 0.0 | 4,234 | 2.3 |
| Inflexion 2006 Buyout Fund LP | UK | 3,972 | 2.1 | – | 0.0 | 3,972 | 2.2 |
| Inflexion 2003 Buyout Fund LP | UK | 3,443 | 1.8 | – | 0.0 | 3,443 | 1.9 |
| RJD Private Equity Fund II NPV | UK | 2,516 | 1.3 | – | 0.0 | 2,516 | 1.4 |
| RL Private Equity | UK | 2,007 | 1.1 | – | 0.0 | 2,007 | 1.1 |
| August Equity Partners II | UK | 1,935 | 1.0 | – | 0.0 | 1,935 | 1.0 |
| Primary Capital III | UK | 1,903 | 1.0 | – | 0.0 | 1,903 | 1.0 |
| Piper Private Equity Fund IV | UK | 1,626 | 0.9 | – | 0.0 | 1,626 | 0.9 |
| Third Private Equity | UK | 1,288 | 0.7 | 813 | 16.0 | 475 | 0.3 |
| Equity Harvest Fund | UK | 1,134 | 0.6 | – | 0.0 | 1,134 | 0.6 |
| Primary Capital II | UK | 1,018 | 0.5 | – | 0.0 | 1,018 | 0.6 |
| Dunedin Buyout Fund II L.P. | UK | 821 | 0.4 | – | 0.0 | 821 | 0.4 |
| Enterprise Plus | UK | 158 | 0.1 | 100 | 2.0 | 58 | 0.0 |
| **Buyout Funds – UK** | | **36,074** | **19.0** | **913** | **18.0** | **35,161** | **19.1** |
| **Buyout Funds – European Country/Region** | | | | | | | |
| Nmas1 Private Equity | Spain | 3,472 | 1.8 | – | 0.0 | 3,472 | 1.9 |
| Ibersuizas Capital Fund II | Spain | 3,176 | 1.7 | – | 0.0 | 3,176 | 1.7 |
| Ciclad 4 | France | 2,817 | 1.5 | – | 0.0 | 2,817 | 1.5 |
| Gilde Buy-Out Fund III GP | Benelux | 2,660 | 1.4 | – | 0.0 | 2,660 | 1.4 |
| DBAG Fund V International | Germany | 2,505 | 1.3 | – | 0.0 | 2,505 | 1.4 |
| Alto Capital I | Italy | 2,014 | 1.1 | – | 0.0 | 2,014 | 1.1 |
| AIG New Europe Fund II L.P. | Central & East Europe | 1,612 | 0.9 | – | 0.0 | 1,612 | 0.9 |
| Chequers Capital XV | France | 1,533 | 0.8 | – | 0.0 | 1,533 | 0.8 |
| DBAG Fund IV | Germany | 860 | 0.5 | – | 0.0 | 860 | 0.5 |
| N+1 Capital Privado | Spain | 824 | 0.4 | – | 0.0 | 824 | 0.4 |
| Chequers Capital | France | 712 | 0.4 | – | 0.0 | 712 | 0.4 |
| Alto Capital II | Italy | 645 | 0.3 | – | 0.0 | 645 | 0.3 |
| Capvis Equity III L.P. | Europe | 133 | 0.1 | – | 0.0 | 133 | 0.2 |
| Ciclad 2 | France | 66 | 0.0 | 42 | 0.8 | 24 | 0.0 |
| **Buyout Funds – European Country/Region** | | **23,029** | **12.2** | **42** | **0.8** | **22,987** | **12.5** |
| **Private Equity Funds – US** | | | | | | | |
| Camden Partners Fund III | USA | 3,240 | 1.8 | – | 0.0 | 3,240 | 1.8 |
| RCP Fund II | USA | 1,784 | 0.9 | – | 0.0 | 1,784 | 1.0 |
| Blue Point Capital Partners II LP | USA | 1,756 | 0.9 | – | 0.0 | 1,756 | 1.0 |
| Hicks, Muse, Tate & Furst Fund IV | USA | 944 | 0.6 | 596 | 11.7 | 348 | 0.2 |
| Blue Point Capital | USA | 855 | 0.4 | – | 0.0 | 855 | 0.4 |
| Camden Partners Fund IV | USA | 75 | 0.0 | – | 0.0 | 75 | 0.0 |
| **Private Equity Funds – US** | | **8,654** | **4.6** | **596** | **11.7** | **8,058** | **4.4** |
| **Private Equity Funds – Global** | | | | | | | |
| Warburg Pincus IX | Global | 5,247 | 2.8 | – | 0.0 | 5,247 | 2.8 |
| AIG Global Emerging Markets Fund II | Global | 3,200 | 1.7 | – | 0.0 | 3,200 | 1.7 |
| Warburg Pincus VIII | Global | 2,614 | 1.4 | – | 0.0 | 2,614 | 1.4 |
| Warburg Pincus X | Global | 1,518 | 0.8 | – | 0.0 | 1,518 | 0.8 |
| AIF Capital Asia III,L.P. | Asia | 862 | 0.5 | – | 0.0 | 862 | 0.5 |
| AIG Brazil Special Situations II L.P. | Brazil | 263 | 0.1 | – | 0.0 | 263 | 0.2 |
| **Private Equity Funds – Global** | | **13,704** | **7.2** | **–** | **0.0** | **13,704** | **7.4** |

| Investment | Geographic Focus | Total Valuation £'000 | % of Total Portfolio | Restricted Voting Pool Valuation £'000 | % of Restricted Pool Portfolio | Ordinary Pool Valuation £'000 | % of Ordinary Pool Portfolio |
|---|---|---|---|---|---|---|---|
| **Venture Capital Funds** | | | | | | | |
| SEP II | Europe | 2,478 | 1.3 | – | 0.0 | 2,478 | 1.3 |
| Life Sciences Partners III | Europe | 2,163 | 1.1 | – | 0.0 | 2,163 | 1.2 |
| Alta-Berkeley VI | Europe | 1,924 | 1.0 | – | 0.0 | 1,924 | 1.0 |
| SEP III | Europe | 1,814 | 1.0 | – | 0.0 | 1,814 | 1.0 |
| Pentech Fund 1B Limited Partnership | Europe | 1,578 | 0.9 | – | 0.0 | 1,578 | 0.9 |
| Albany Ventures III | Europe | 502 | 0.3 | – | 0.0 | 502 | 0.3 |
| Environmental Technologies Fund LP | UK | 403 | 0.2 | – | 0.0 | 403 | 0.2 |
| Scottish Equity Partnership | Europe | 64 | 0.0 | 40 | 0.8 | 24 | 0.0 |
| Pentech Fund II L.P. | Europe | 45 | 0.0 | – | 0.0 | 45 | 0.0 |
| Alta-Berkeley III | Europe | 23 | 0.0 | – | 0.0 | 23 | 0.0 |
| **Venture Capital Funds** | | **10,994** | **5.8** | **40** | **0.8** | **10,954** | **5.9** |
| **Mezzanine Funds** | | | | | | | |
| Hutton Collins Capital Partners II | Europe | 5,422 | 2.9 | – | 0.0 | 5,422 | 2.9 |
| International Mezzanine Investment NV | Europe | 3,436 | 1.8 | 2,169 | 42.7 | 1,267 | 0.7 |
| Accession Mezzanine II | Central & East Europe | 2,863 | 1.8 | – | 0.0 | 2,863 | 1.9 |
| Close Brothers Growth Capital Fund IIB | UK | 3,335 | 1.8 | – | 0.0 | 3,335 | 1.8 |
| Mezzanine Management Fund IV A | Europe | 2,702 | 1.4 | – | 0.0 | 2,702 | 1.5 |
| Accession Mezzanine | Central & East Europe | 2,393 | 1.3 | – | 0.0 | 2,393 | 1.3 |
| 1818 Mezzanine Fund | USA | 1,625 | 0.9 | 1,026 | 20.1 | 599 | 0.3 |
| Alchemy Special Opportunities Fund L.P. | Europe | 1,505 | 0.8 | – | 0.0 | 1,505 | 0.8 |
| 1818 Mezzanine Fund II | USA | 1,375 | 0.7 | – | 0.0 | 1,375 | 0.7 |
| Hutton Collins Mezzanine | Europe | 1,037 | 0.5 | – | 0.0 | 1,037 | 0.6 |
| Hutton Collins Capital Partners III | Europe | 1 | 0.0 | – | 0.0 | 1 | 0.0 |
| **Mezzanine Funds** | | **25,694** | **13.9** | **3,195** | **62.8** | **22,499** | **12.5** |
| **Direct – Quoted** | | | | | | | |
| Candover Investments PLC | Europe | 2,690 | 1.4 | – | 0.0 | 2,690 | 1.5 |
| Live Nation | USA | 73 | 0.0 | 46 | 0.9 | 27 | 0.0 |
| Strathdon Investment | UK | 60 | 0.0 | – | 0.0 | 60 | 0.0 |
| Parkmead Group (formerly Interregnum) | UK | 16 | 0.0 | – | 0.0 | 16 | 0.0 |
| **Direct – Quoted** | | **2,839** | **1.4** | **46** | **0.9** | **2,793** | **1.5** |
| **Direct Investments/Co-investments** | | | | | | | |
| Viking Moorings | Europe | 12,120 | 6.4 | – | 0.0 | 12,120 | 6.6 |
| SMD Hydrovision (Inflexion Co-Inv) | Global | 4,000 | 2.1 | – | 0.0 | 4,000 | 2.2 |
| Eurotel | UK | 3,212 | 1.7 | – | 0.0 | 3,212 | 1.7 |
| Stirling Square Sicurglobal Co-Investment L.P. | Italy | 3,167 | 1.7 | – | 0.0 | 3,167 | 1.7 |
| Whittan Co-Investment (No 1) L.P. | Europe | 3,090 | 1.6 | – | 0.0 | 3,090 | 1.7 |
| Lifeways | UK | 2,947 | 1.6 | – | 0.0 | 2,947 | 1.6 |
| Equidebt Holdings | UK | 2,923 | 1.5 | – | 0.0 | 2,923 | 1.6 |
| Stirling Square 3Si Co-Investment L.P. | USA | 2,495 | 1.3 | – | 0.0 | 2,495 | 1.4 |
| Entec | UK | 2,218 | 1.2 | – | 0.0 | 2,218 | 1.2 |
| LMS Group Holdings | UK | 2,000 | 1.1 | – | 0.0 | 2,000 | 1.1 |
| European Boating Holidays | Europe | 1,867 | 1.0 | – | 0.0 | 1,867 | 1.0 |
| Senturion/Translinc | UK | 1,294 | 0.7 | – | 0.0 | 1,294 | 0.7 |
| Blues Clothing Co-invest | UK | 1,143 | 0.5 | – | 0.0 | 1,143 | 0.5 |
| TDR Capital Algeco/Scotsman L.P. | Europe | 910 | 0.5 | – | 0.0 | 910 | 0.5 |
| **Direct Investments/Co-investments** | | **43,386** | **22.9** | **–** | **0.0** | **43,386** | **23.5** |
| **AIM Holdings** | | **112** | **0.1** | **–** | **0.0** | **112** | **0.1** |
| **Total Portfolio** | | **188,881** | **100.0** | **5,084** | **100.0** | **183,797** | **100.0** |

# Income Statement

| | Notes | Revenue £'000 | Capital £'000 | Six months to 30 June 2008 (unaudited) Total £'000 | Revenue £'000 | Capital £'000 | Six months to 30 June 2007 (unaudited) Total £'000 | Revenue £'000 | Capital £'000 | Year to 31 December 2007 (audited) Total £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gains on investments | | **–** | **18,174** | **18,174** | – | 30,316 | 30,316 | – | 57,141 | 57,141 |
| Currency gains/(losses) | | **–** | **19** | **19** | – | (243) | (243) | – | (1,343) | (1,343) |
| Income – franked | 1 | **–** | **–** | **–** | 103 | – | 103 | 103 | – | 103 |
| – unfranked | 1 | **1,153** | **–** | **1,153** | 1,222 | – | 1,222 | 2,915 | – | 2,915 |
| Investment management fee | 4 | **(208)** | **(2,386)** | **(2,594)** | (176) | (529) | (705) | (391) | (1,994) | (2,385) |
| Other expenses | | **(322)** | **–** | **(322)** | (445) | – | (445) | (631) | – | (631) |
| **Net return before finance costs and taxation** | | **623** | **15,807** | **16,430** | 704 | 29,544 | 30,248 | 1,996 | 53,804 | 55,800 |
| Interest payable | | **(15)** | **(45)** | **(60)** | (1) | (4) | (5) | (17) | (49) | (66) |
| **Return on ordinary activities before taxation** | | **608** | **15,762** | **16,370** | 703 | 29,540 | 30,243 | 1,979 | 53,755 | 55,734 |
| Taxation on ordinary activities | | **(184)** | **184** | **–** | (135) | 81 | (54) | (587) | 569 | (18) |
| **Return on ordinary activities after taxation** | | **424** | **15,946** | **16,370** | 568 | 29,621 | 30,189 | 1,392 | 54,324 | 55,716 |
| **Return per Ordinary share – Basic** | 5 | **0.52p** | **21.67p** | **22.19p** | 0.51p | 31.55p | 32.06p | 1.37p | 56.74p | 58.11p |
| **Return per Ordinary share – Fully diluted** | 5 | **0.50p** | **21.10p** | **21.60p** | 0.50p | 30.72p | 31.22p | 1.34p | 55.52p | 56.86p |
| **Return per Restricted Voting share – Basic** | 5 | **0.08p** | **0.42p** | **0.50p** | 0.29p | 10.16p | 10.45p | 0.60p | 19.84p | 20.44p |

# Amounts Recognised as Dividends in the Period

| | Six months ended 30 June 2008 (unaudited) £'000 | Six months ended 30 June 2007 (unaudited) £'000 | Year ended 31 December 2007 (audited) £'000 |
|---|---|---|---|
| Interim Restricted Voting share dividend of 1.00p for period ended 31 December 2006 | **–** | 671 | 671 |
| Interim Ordinary share dividend of 2.10p for period ended 31 December 2006 | **–** | 1,518 | 1,518 |
| Final Ordinary share dividend of 0.40p for period ended 31 December 2006 | **–** | 289 | 289 |
| Interim Restricted Voting share dividend of 0.30p for year ended 31 December 2007 | **–** | – | 201 |
| Interim Ordinary share dividend of 0.50p for year ended 31 December 2007 | **–** | – | 362 |
| Final Restricted Voting share dividend of 0.30p for year ended 31 December 2007 | **202** | – | – |
| Final Ordinary share dividend of 0.85p for year ended 31 December 2007 | **615** | – | – |
| Restricted Voting share special dividend of 1.00p for year ended 31 December 2007 | **671** | – | – |
| | **1,488** | 2,478 | 3,041 |

# Balance Sheet

| | Notes | As at 30 June 2008 (unaudited) £'000 | £'000 | As at 30 June 2007 (unaudited) £'000 | £'000 | As at 31 December 2007 (audited) £'000 | £'000 |
|---|---|---|---|---|---|---|---|
| **Investments at market value** | | | | | | | |
| Listed on recognised exchanges | | **2,951** | | 3,553 | | 43,984 | |
| Unlisted | | **185,930** | | 157,466 | | 150,597 | |
| | | | **188,881** | | 161,019 | | 194,581 |
| **Current assets** | | | | | | | |
| Debtors | | **1,157** | | 450 | | 789 | |
| Cash at bank and on deposit | | **3,426** | | 13,744 | | 5,822 | |
| | | | **4,583** | | 14,194 | | 6,611 |
| **Creditors** | | | | | | | |
| Amounts falling due within one year | | | **(1,408)** | | (1,269) | | (1,462) |
| **Net current assets** | | | **3,175** | | 12,925 | | 5,149 |
| **Total assets less current liabilities** | | | **192,056** | | 173,944 | | 199,730 |
| **Creditors** | | | | | | | |
| Amounts falling due after more than one year | | | **(2,587)** | | – | | (822) |
| **Net assets** | | | **189,469** | | 173,944 | | 198,908 |
| **Capital and reserves** | | | | | | | |
| Called-up share capital | | | **1,394** | | 1,394 | | 1,394 |
| Special distributable capital reserve | | | **15,679** | | 40,000 | | 40,000 |
| Special distributable revenue reserve | | | **38,363** | | 38,363 | | 38,363 |
| Capital redemption reserve | | | **664** | | 664 | | 664 |
| Capital reserve | | | **133,416** | | 92,767 | | 117,470 |
| Revenue reserve | | | **(47)** | | 756 | | 1,017 |
| | | | **189,469** | | 173,944 | | 198,908 |
| **Net asset value per Ordinary share – Basic** | 6 | | **255.16p** | | 208.27p | | 233.82p |
| **Net asset value per Ordinary share – Fully diluted** | 6 | | **251.86p** | | 206.21p | | 231.08p |
| **Net asset value per Restricted Voting share – Basic** | 6 | | **7.50p** | | 34.88p | | 44.56p |

# Reconciliation of Movements in Shareholders' Funds

| | Six months ended 30 June 2008 (unaudited) £'000 | Six months ended 30 June 2007 (unaudited) £'000 | Twelve months ended 31 December 2007 (audited) £'000 |
|---|---|---|---|
| **Opening equity shareholders' funds** | **198,908** | 146,233 | 146,233 |
| Return on ordinary activities after taxation | **16,370** | 30,189 | 55,716 |
| Dividends paid | **(1,488)** | (2,478) | (3,041) |
| Return of capital paid | **(24,321)** | – | – |
| **Closing equity shareholders' funds** | **189,469** | 173,944 | 198,908 |

# Summarised Statement of Cash Flows

| | Six months to 30 June 2008 (unaudited) £'000 | Six months to 30 June 2007 (unaudited) £'000 | Year to 31 December 2007 (audited) £'000 |
|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | **(287)** | 446 | 1,103 |
| **Servicing of finance** | **(60)** | – | (53) |
| **Taxation** | **–** | (423) | (550) |
| **Capital expenditure and financial investments** | **23,741** | 9,678 | 2,942 |
| **Equity dividends paid** | **(1,488)** | (2,478) | (3,041) |
| **Return of capital paid** | **(24,321)** | – | – |
| **(Decrease)/increase in cash** | **(2,415)** | 7,223 | 401 |
| **Reconciliation of net cash flow to movement in net funds** | | | |
| (Decrease)/increase in cash in the year | **(2,415)** | 7,223 | 401 |
| Currency gains/(losses) | **19** | (243) | (1,343) |
| **Movement in net funds in the year** | **(2,396)** | 6,980 | (942) |
| **Opening net funds** | **5,822** | 6,764 | 6,764 |
| **Closing net funds** | **3,426** | 13,744 | 5,822 |
| **Reconciliation of net return before finance costs and taxation to net cash flow from operating activities** | | | |
| Net return before finance costs and taxation | **16,430** | 30,248 | 55,800 |
| Gains on investments | **(18,174)** | (30,316) | (57,141) |
| Currency (gains)/losses | **(19)** | 243 | 1,343 |
| Changes in working capital and other non-cash items | **1,476** | 271 | 1,101 |
| **Net cash flow from operating activities** | **(287)** | 446 | 1,103 |

# Notes to the Accounts

**1** The unaudited interim results have been prepared on the basis of the accounting policies set out in the statutory accounts of the Company for the year ended 31 December 2007.

**2** The Board has proposed an interim Ordinary share dividend of 0.5 pence payable on 17 October 2008 to shareholders on the Registrar on 12 September 2008. The ex dividend date is 10 September 2008.

**3** The breakdown of income was as follows:

| | **Six months to 30 June 2008 £'000** | Six months to 30 June 2007 £'000 | Year to 31 December 2007 £'000 |
|---|---|---|---|
| **Income from investments** | | | |
| Income – franked | **–** | 103 | 103 |
| Income – unfranked | **1,153** | 1,222 | 2,915 |
| | **1,153** | 1,325 | 3,018 |

**4** Investment management fee

| | | | **Six months ended 30 June 2008** | | | Six months ended 30 June 2007 | | | Year ended 31 December 2007 |
|---|---|---|---|---|---|---|---|---|---|
| | **Revenue £'000** | **Capital £'000** | **Total £'000** | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Investment management fee | **208** | **621** | **829** | 176 | 529 | 705 | 391 | 1,172 | 1,563 |
| Incentive fee | **–** | **1,765** | **1,765** | – | – | – | – | 822 | 822 |
| | **208** | **2,386** | **2,594** | 176 | 529 | 705 | 391 | 1,994 | 2,385 |

**5** The basic return per share is based on a net return on ordinary activities after taxation of £16,370,000 (30 June 2007 – £30,189,000; 31 December 2007 – £55,716,000) and on a weighted average of 67,084,807 Restricted Voting shares (30 June 2007 – 67,084,807; 31 December 2007 – 67,084,807) and 72,282,273 Ordinary shares (30 June 2007 – 72,282,273; 31 December 2007 – 72,282,273) in issue throughout the period.

The fully diluted return per Ordinary share is based on a net return on ordinary activities after taxation of £16,370,000 (30 June 2007 – 30,189,000; 31 December 2007 – £55,716,000) and on a weighted average of 74,241,429 shares (30 June 2007 – 72,282,273; 31 December 2007 – 73,874,739) in issue during the period, allowing for the conversion of Ordinary warrants.

**6** Reconciliation of Net Asset Value per share:

| | **As at 30 June 2008 £'000** | As at 30 June 2007 £'000 | As at 31 December 2007 £'000 |
|---|---|---|---|
| *Ordinary shares* | | | |
| Net asset value per share – Basic | **255.16p** | 208.27p | 233.82p |
| Net asset value per share – Fully diluted | **251.86p** | 206.21p | 231.08p |

| | **As at 30 June 2008 £'000** | As at 30 June 2007 £'000 | As at 31 December 2007 £'000 |
|---|---|---|---|
| *Restricted Voting shares* | | | |
| Net asset value per share | **7.50p** | 34.88p | 44.56p |

The net asset value per Restricted Voting share is based on net assets at the period end of £5,034,000 (30 June 2007 – £23,401,000; 31 December 2007 – £29,896,000) and on 67,084,807 (30 June 2007 – 67,084,807; 31 December 2007 – 67,084,807) shares, being the number of Restricted Voting shares in issue at the period end.

The basic net asset value per Ordinary share is based on net assets at the period end of £184,435,000 (30 June 2007 – £150,543,000; 31 December 2007 – £169,012,000) and on 72,282,273 (30 June 2007 – 72,282,273; 31 December 2007 – 72,282,273) shares, being the number of Ordinary shares in issue at the period end.

The fully diluted net asset value per Ordinary share is based on net assets at the period end of £184,435,000 (30 June 2007 – £150,543,000; 31 December 2007 – £169,012,000) and on 74,241,429 (30 June 2007 – 74,241,429; 31 December 2007 – 74,241,429) shares, being the number of Ordinary shares in issue at the period end after conversion of Ordinary warrants.

**7** The financial information for the six months ended 30 June 2008 comprises non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The full audited accounts for the year ended 31 December 2007, on which the auditors issued an unqualified report, have been lodged with the Registrar of Companies.

**8** The Association of Investment Companies and JPMorgan Claverhouse Investment Trust plc lodged a joint appeal in 2004 for the payment of management fees by investment trusts to be treated as exempt from VAT. In June 2007 the European Court of Justice ('ECJ') found in favour of the appellants, declaring that investment trusts should be treated as special investment funds and thus exempted from VAT on management fees. HM Revenue & Customs ('HMRC') has announced that it will not appeal against the ECJ decision.

Both the Company's current and previous Manager have submitted protective claims to HMRC in respect of all prior periods which might fall within the scope of the ECJ ruling and in which VAT was collected from the Company to the Manager. The Company expects to recover VAT of approximately £350,000 paid on management fees since June 2005. The mechanics and, in particular, the timing of any recovery is so uncertain, however, that it has not been recognised as an asset in the accounts. A further recovery is expected to be made of VAT paid on management fees before July 2005. In addition to the uncertainties referred to above the amount of this further recovery is currently not known. It has not been recognised as an asset in the accounts.

# Principal Risks and Uncertainties

The Directors believe that the principal risks faced by the Company include investment and strategic, external, regulatory, operational, financial and funding risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal Risks and Risk Management within the Business Review in the Company's Annual Report for the year ended 31 December 2007. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

# Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with the Statement 'Half-Yearly Financial Reports' issued by the UK Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and return of the Company;
- the Chairman's Statement and Manager's Review (together constituting the Interim Management Report) include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

**David Simpson**
Director

22 August 2008

# Corporate Information

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Douglas Kinloch Anderson
Robert Legget
John Rafferty

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