SVG Capital plc
Annual Report and Accounts 2007

SVG Capital

Front cover image:
11% of SVG Capital's private equity funds' portfolio is invested in the Chemicals sector.

Welcome to SVG Capital plc

Company profile

SVG Capital is a private equity investor and fund management business listed on the London Stock Exchange.

Our investment objective

SVG Capital's investment objective is to achieve capital appreciation by investing principally in private equity funds that are managed or advised by Permira, a leading international private equity specialist.

In addition, the Company invests in private equity funds that invest in Japan, North America, Asia and the life sciences sectors, and in unquoted and quoted businesses through specialist funds and co-investments alongside these funds. The Company may also invest in other private equity related assets and alternative asset classes.

To complement this investment objective and create capital and income for the Company, its fund management business structures, markets, manages and advises products for investment in private equity, private equity related assets, alternative asset classes and in public equity using private equity techniques.

Our business

Private equity investment

SVG Capital invests in a portfolio of private equity funds, the majority of which are advised by Permira, a leading international private equity specialist.

Information on our investment portfolio is included on pages 12 to 21.

Fund management

SVG Capital's fund management business, SVG Advisers, structures, markets, manages and advises products for investment in private and public equity using private equity techniques.

More information on this area of our business can be found on pages 8 and 9 of this document.

Financial and operational highlights 2007

Balance sheet

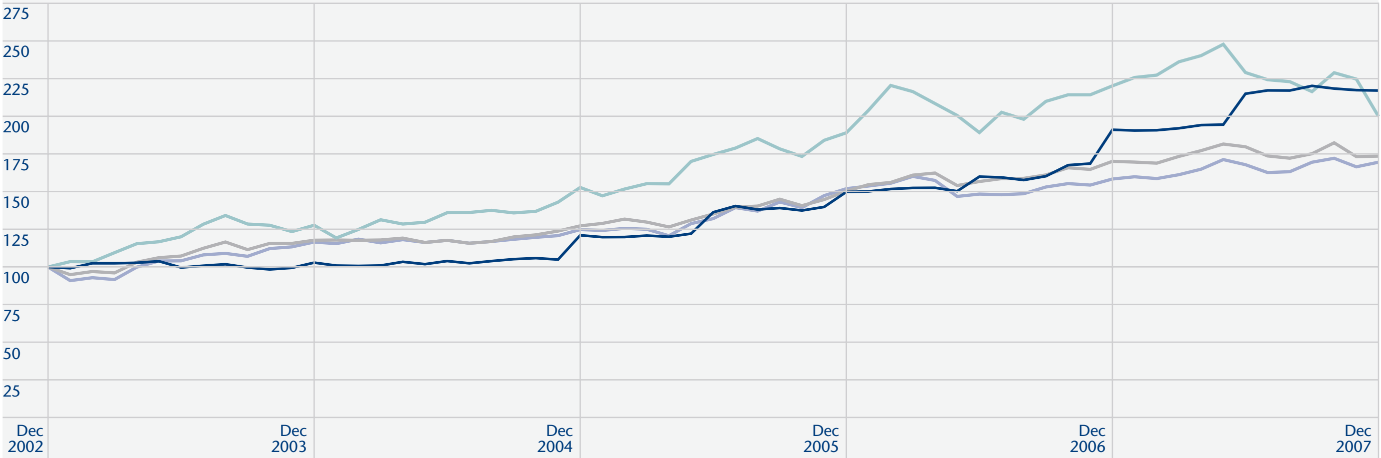
Investment portfolio	£1.3bn
Gain on opening investment portfolio	+£130.5m[1]
Increase in net assets per share (including 7.5p dividend paid in May 2007 and the unaudited Directors' valuation of SVG Advisers)	+14.3%
Compound annual growth in net asset value per share since listing (including unaudited Directors' valuation of SVG Advisers)	+14.9% p.a.
Average multiple to cost of realisations since 1996	2.2x
Average uplift of realisations to carrying value since 1996	+48.0%[2]

SVG Advisers

Funds and commitments under management	€4.4bn
Increase in funds and commitments under management	+33%
External fee income	£29.7m
Investment advisory services income (including fees paid by SVG Capital and other income, total revenue was £37.1million)	+46%
Profit before tax	£17.6m
Increase in profit before tax	+89%

1 Including income distributions
2 Excluding recapitalisations

Performance record five year overview



SVG Capital (NAV) SVG Capital (share price) FTSE All-Share FTSE World Index

Source: Datastream

Outperformance per annum

+10.0% p.a.

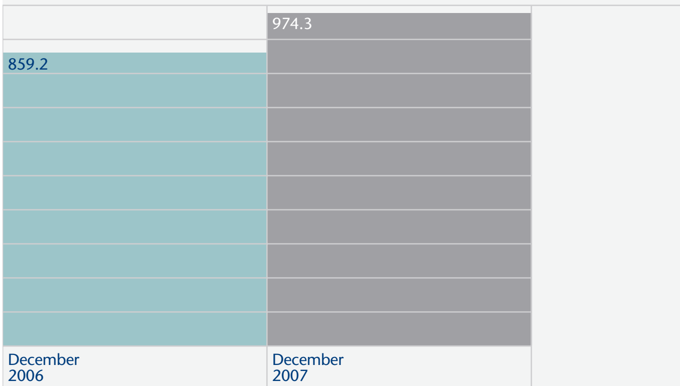
Outperformance of the FTSE All-Share (capital only) since inception in 1996.

Compound annual growth per annum

+14.9% p.a.

Compound annual growth in net asset value per share since listing in 1996 (including the 31 December 2007 unaudited Directors' valuation of SVG Advisers).

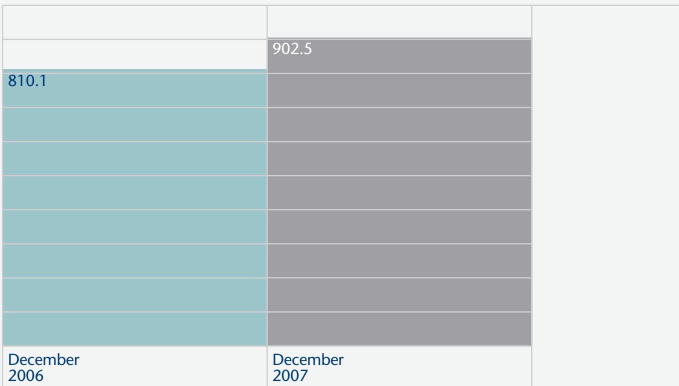
Fully diluted net asset value per share



+13.4% to 974.3p

Including the 31 December 2007 unaudited Directors' valuation of SVG Advisers

Fully diluted Shareholders' funds per share



+11.4% to 902.5p

Excluding the 31 December 2007 unaudited Directors' valuation of SVG Advisers

Portfolio overview

20 largest underlying companies

By value at 31 December 2007

Company	Remaining cost: £000's	Value: £000's
Valentino Fashion Group/Hugo Boss Italy	164,224	173,560
Freescale US	147,191	122,676
ProSiebenSat.1 Media Germany	125,361	102,928
Galaxy Entertainment Greater China	108,389	94,104
BorsodChem Hungary	79,163	86,304
Intelsat Bermuda	436	81,186
TDC Denmark	48,165	60,443
Provimi France	53,130	56,777
Acromas (AA and Saga) UK	49,455	49,455
Parkway Holdings Singapore	19,537	48,359
SEAT Pagine Gialle Italy	28,255	43,000
Birds Eye iglo UK	35,679	38,894
Jet Aviation Switzerland	21,819	36,659
debitel Germany	361	30,597
Aearo Technologies US	10,335	27,591
DinoSol Supermercados Spain	10,515	24,184
Principal Hayley Group UK	21,554	23,518
Gala Coral Group UK	42,975	22,800
Telepizza Spain	13,453	18,880
New Look UK	599	15,041

The 20 largest underlying companies represent 85% of the portfolio

Major realisations year to 31 December 2007

By value at 31 December 2007

Company	Gross uplift: £000's	Realisation value: £000's	31 December 2006 valuation: £000's	Additional proceeds during year
Intelsat	55,095	81,186	26,091	
Takko	29,825	41,419	11,594	
SBS Broadcasting	24,772	68,699	43,927	
Aearo Technologies	17,496	27,591	19,740	9,645

Major acquisitions

Valentino Fashion Group/Hugo Boss

Valentino Fashion Group/Hugo Boss operates in over 100 countries, with more than 1,500 single-brand boutiques and 345 directly-managed shops. The group's activities are broken down into three business units, covering the entire luxury and fashion sector: Valentino, featuring the prestigious brands Valentino, Valentino Garavani, Valentino Roma and R.E.D. Valentino; Hugo Boss, which includes the Boss and Hugo brands; and licensed brands including M Missoni, in addition to its own brand Lebole.

ProSiebenSat.1 Media

ProSiebenSat.1 Media is the second largest pan-European broadcasting corporation. The ProSiebenSat.1 Group's core business is Free-TV and through its four interrelated stations – Sat.1, ProSieben, kabel eins and N24, it owns Germany's largest family of commercial TV channels.

Galaxy Entertainment

Galaxy Entertainment is a leading operator of casinos, hotels and entertainment facilities in Macau, China. The company has already captured a significant share of the fastest growing gaming market in just four years and operates a number of casinos in Macau, including its flagship StarWorld.

Chairman's statement

I am pleased to report another year of growth at SVG Capital, both in terms of the performance of the portfolio and the fund management business, SVG Advisers.

Fully diluted net asset value per share increased by 14.3%[1] over the year, with net asset value per share rising to 974.3p (including a 71.8p per share unaudited Directors' valuation for SVG Advisers) and fully diluted Shareholders' funds increasing to 902.5p per share.

Private equity portfolio performance

Performance over the year was driven largely by the significant realisation activity in the first half, as Permira and our other managers took advantage of favourable markets to realise several portfolio companies.

This strong first half performance has been affected by the deterioration in public markets since the onset of the credit crisis in August, impacting not only the quoted portfolio, but also the public market comparable earnings multiples used to value portfolio companies. Some of this impact has been mitigated by the positive influence of foreign exchange movements.

From an operational standpoint, the majority of the portfolio companies performed well in the year. Apart from realisations, there have also been several positive movements in valuations. Some of these have been prompted by strategic re-focus and increased earnings, such as Jet Aviation and debitel; and others, like TDC or Maxeda, by the sale of non-core assets and restructuring. There have also been negative movements in valuations, some of which are due to specific company performance, like Freescale; others were more heavily influenced by the sharp decline in comparable public market earnings multiples, such as Gala Coral and ProSiebenSat.1 Media.

Both investment and realisation activity in the portfolio were robust during the year, albeit weighted towards the first half. New investments were dominated by Permira IV, which was 35% called and 47% committed at the year end. We expect the level of future investment and divestment to be slow, as pricing of new transactions adjusts to reflect economic uncertainty and the lack of liquidity in the debt markets, and holding periods to lengthen.

New commitments

During the course of the year, SVG Capital made six new commitments, totalling £130.3 million.

Two of the new commitments are to structured private equity funds of funds: €60.0 million to SVG Diamond III and €40.0 million to Vintage I. The third commitment is a US$50.0 million commitment to seed a new investment fund, SVG India, which invests in quoted mid-sized Indian companies across a variety of sectors.

Performance over the year was driven largely by the significant realisation activity in the first half, as Permira and our other managers took advantage of favourable markets to realise several portfolio companies.

Nicholas Ferguson
Chairman
6 March 2008

1 Including the 7.5p dividend paid in May 2007

In December, the Company also committed €33.2 million to the equity of two Collateralised Loan Obligation funds, investing in diversified portfolios of loans sponsored by private equity-backed companies.

Finally, SVG Capital has committed €10.0 million to the SVG European Focus Fund, an open-ended investment company investing in quoted Continental European companies and managed by SVG Investment Managers.

SVG Advisers

SVG Advisers has continued to make strong progress, growing assets and commitments under management by 33% in the year to €4.4 billion[2]. Importantly, external income from investment advisory services increased by 46% to £29.7 million, and profit before tax for the year was £17.6 million, an increase of 89% on the previous year. This is an excellent business in which we will continue to invest for growth.

The Company owns 100% of SVG Advisers and at 31 December 2007 the Board placed an unaudited Directors' valuation on the business of £106.4 million (71.8p per share). As in previous years, the Board will review the value of the business again in December 2008.

More detail on SVG Advisers is contained in the Chief Executive's review.

Board

The Board worked well together during 2007, and a full review of the Board's activities can be found in the Report of the Directors on page 30.

Dividend

The Company's investment objective is one of capital growth and it is anticipated that returns for shareholders will derive primarily from capital gains. During the 12 months, the Company received approximately £17.1 million of income from its investment portfolio. Accordingly, in order to maintain Investment Trust status, the Board is recommending that the Company should declare a dividend of 6.5p per share.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Wednesday 7 May 2008 at 111 Strand, London WC2R 0AG. As in previous years it will include a presentation on the activities of the Company.

Market commentary

Clearly there has been a change in sentiment in the last six months. Such changes have different origins and in this case it has been prompted by the over extension of credit. Regardless of origin, they have a similar pattern: an expected above trend growth in GDP and corporate profits moves to an expected below trend growth – and then back again.

Private equity has a reasonably established pattern in this cycle. First, the level of new investments tends to slow markedly as vendors and buyers cannot agree on price. This is the pattern we are seeing now, today compounded by the lack of availability of debt. Given the normal range of about a year for this 'quiet period', we might expect to see some increase in private equity activity in the fourth quarter of this year.

Second, on valuations, the public markets tend to anticipate a lower rate of increase in corporate profits. The result of this is that earnings multiples fall, which in turn impacts portfolio valuations. SVG Capital values its portfolio in accordance with the IPEVC Guidelines and therefore marks its portfolio to market, using public market comparable earnings multiples for its unquoted valuations. These have now dropped, and accordingly we have seen some valuations decline in the underlying portfolio, alongside falls in the value of our quoted holdings. However, on this occasion these declines in valuation have been, to a large extent, cushioned by currency movements and by the growth in value of SVG Advisers.

Third, historically the public markets have tended to de-rate private equity fairly early in the cycle and listed private equity funds tend to move from premia to substantial discounts. This has happened again, and will in turn reverse when markets start to look through the cycle and sentiment changes once more.

2 Including SVG Capital's commitments to SVG Advisers' funds

Chief Executive's review

We are pleased to report a good set of results and strong performance from both SVG Capital and from our fund management business, SVG Advisers.

We believe the current portfolio is well positioned to provide shareholders with substantial returns over the medium to long-term. The portfolio is relatively immature, but it is well diversified by industry sector and geography. As is normal at this point of SVG Capital's investment cycle, new investments from recent commitments dominate the portfolio and the portfolio is fairly concentrated with the 10 largest investments representing 64% of the portfolio. As Permira IV becomes more fully invested and matures, the portfolio will become less focused on a small number of large investments.

Cash balances and uncalled commitments

The portfolio was again very cash-generative with £312.4 million[3] of distributions during the year. We have paid £581.7 million of calls in the year, mainly to fund Permira IV which is still in the early stages of its investment programme and thus has been drawing down funds relatively quickly. As a result, SVG Capital ended the year with gross cash balances of £183.5 million, taking the Group to a leveraged position of £34.7 million, or 2.7% of Shareholders' funds.

Since the year end, the Company has received distributions totalling £66.0 million with a further £18.1 million expected prior to the end of April 2008. In addition, the Company has also received proceeds of £40.0 million in January 2008 from the Private Placement of Notes. Against this, we are anticipating calls of approximately £165.0 million to fund investments already announced in 2007 and we should move to a slightly more leveraged position by the end of April 2008.

SVG Capital has a strong balance sheet, with substantial financial resources in place. The Company is well positioned to meet its uncalled commitments of £1.6 billion, which we expect to be drawn down over the next four to five years.

Borrowings

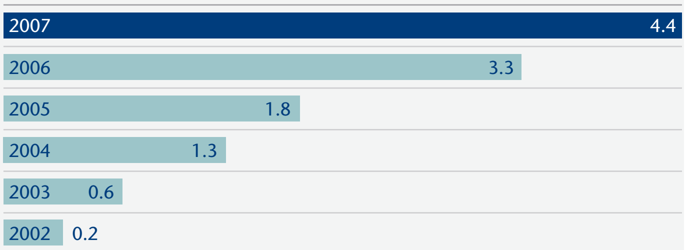
The Company issued approximately US$300.0 million (equivalent) of long-term debt through a Private Placement of Notes taking SVG Capital's total fixed borrowings to approximately £258.1 million. In addition, the Company increased its bank lines from €600.0 million to €750.0 million (£550.9 million) during the course of the year.

SVG Advisers

The fund management business, SVG Advisers, has reported another strong year of growth and the Directors have placed an unaudited valuation on the business of £106.4 million (71.8p per share).

Third-party funds under management increased by 33% to €4.4 billion[4] over the year and the business reported profit before tax of £17.6 million, an 89% increase on 2006. External income from investment advisory services increased 46% to £29.7 million and including fees paid by SVG Capital and other income, total revenue was £37.1 million.

Funds and commitments under management € billion



33%
Growth in funds and commitments under management during the year

+46% to £29.7m
Growth in external fee income during the year

3 Including income of £17.1 million

4 Including SVG Capital's commitments to SVG Advisers' funds

As reported at the half-year, the biggest contributor to the increase in funds under management was the successful closing of our third structured private equity fund of funds, SVG Diamond III, raising €700 million. In addition to this, the Schroder Private Equity Fund of Funds IV has raised €339 million[5] to date, with a final close expected before the end of the first quarter, and €96 million was also raised for the Strategic Recovery Fund II. Since the year end, we have held a successful first close at US$104 million of our first Asian fund of funds. The fund is targeting a final close at US$150 million before the end of the first half. In order to support the growth of our Asian business, both in terms of fund selection and investor base, we will be opening an office in Singapore in the second half of this year.

SVG Advisers now employs almost 70 people and with the opening of our Asian office will have a presence in Europe, North America and Asia. We will continue to invest in building up the SVG Advisers' team and the firm's infrastructure so we will be well positioned to take advantage of changes in the private equity market over the next three to five years.

The dramatic shift in sentiment and confidence within markets in the second half of 2007 has had a major impact on both the debt and equity capital markets. This presents both a challenge and opportunity for SVG Advisers. We have already taken steps to expand the firm's geographic reach and will be looking at diversifying the current product offering to capitalise on opportunities and to create new investment vehicles in our areas of expertise.

Outlook

The majority of companies in the portfolio continue to perform in line with expectations and we believe the portfolio is well positioned to weather market conditions. Clearly, any material change in the economic environment could impact the short-term performance of the portfolio companies, and investing with top-performing private equity firms will become even more crucial. The managers that SVG Capital has invested with, in particular Permira, have over 20 years of experience in creating value for investors through varying financial and economic environments. We have confidence in their criteria for investment and their ability to drive growth and harness value in companies, creating superior returns for investors and outperforming public markets over the longer term.

On the investment front, the overhang of unsyndicated leveraged buy-out debt remains high. Until this debt is syndicated, buy-out activity is unlikely to pick up significantly, especially at the larger end of the market. The hiatus in debt financing has resulted in a softening of leverage multiples on those transactions that have been agreed since the summer. This softening will affect pricing of new deals and will present attractive buying opportunities. On the exit front, we expect the rate of realisations to slow and holding periods to lengthen.

We believe the current portfolio is well positioned to provide shareholders with substantial returns over the medium to long term.

Andrew Williams
Chief Executive – SVG Advisers Limited
6 March 2008

5 As at 1 March 2008

The Business review provides shareholders with an overview of SVG Capital's:

Investment objective

SVG Capital's investment objective is to achieve capital appreciation by investing principally in private equity funds that are managed or advised by Permira, a leading international private equity specialist.

In addition, SVG Capital invests in private equity funds that invest in Japan, North America, Asia and the life sciences sectors, and in unquoted and quoted businesses through specialist funds and co-investments alongside these funds. The Company may also invest in other private equity related assets and alternative asset classes.

To complement this investment objective and create capital and income for the Company, its fund management business structures, markets, manages and advises products for investment in private equity, private equity related assets, alternative asset classes and in public equity using private equity techniques.

Investment policy

The Company invests principally in private equity funds managed or advised by Permira, which provide it with exposure to a portfolio of companies that are diversified by vintage year, size, geography and industry sector. Under current legislation, the Company operates so as to ensure that, at the point of acquiring or adding to its investment in any company or group, its holding in that company or group does not exceed 15% by value of its overall investments. In order to enhance shareholder returns, the Company has a desired average level of gearing of approximately 20% over time.

Key Performance Indicators

The Group's Key Performance Indicators are:

Financial

Shareholder total return[6]

13.2%p.a. — Since May 1996
-8.3% — Year to 31 December 2007

Net asset growth

14.9%p.a.[7] — Since May 1996
14.3%[8] — Year to 31 December 2007

Long-term net IRRs of the portfolio of underlying private equity funds

20.1%p.a. — Since inception of underlying funds (1983)

More information on non-financial KPIs are contained in the Corporate Social Responsibility Report on page 41.

6 Source: Bloomberg
7 Including the 31 December 2007 Directors' unaudited valuation of SVG Advisers
8 Including the 31 December 2007 Directors' unaudited valuation of SVG Advisers and the 7.5p dividend paid to shareholders in May 2007

Strategy

Investing in international private equity

Description
The Company's core investment focus is on international private equity and within that, its primary focus is on Europe and to a lesser extent Asia.

Progress
43% of the portfolio is invested in European companies with 39% invested in multinational companies, the majority of which either are headquartered in Europe or have significant European operations. The remainder of the portfolio is split between Asia (14%) and North America (4%).

Majority of the portfolio is focused

Description
The Company's investments are focused on one, highly rated manager, Permira, an international private equity specialist.

Progress
Permira Funds represented 77% of SVG Capital's investment portfolio at 31 December 2007.

Diversification

Description
The remainder of the Company's portfolio is invested in or committed to funds investing in North America, Asia and the life sciences sectors and in unquoted and quoted businesses through specialist funds and co-investments alongside these funds. The Company may also invest in other private equity related asset classes and alternative asset classes.

Progress
During the year the Company made five new commitments totalling £130.3 million.

Building a successful fund management business

Description
SVG Capital's fund management business, SVG Advisers, was established in 2001 with the strategy of providing intelligent solutions for mid-sized institutions and high-net-worth investors for investing in private equity or public equity using private equity techniques. This is an excellent business in which we will continue to invest for growth.

Progress
Funds and commitments under management now stand at €4.4 billion, a 33% increase over the year. During the year the team raised:

- €700 million structured private equity fund of funds, SVG Diamond III
- €339 million[9] for the Schroder Private Equity Fund of Funds IV
- £70.8 million for the Strategic Recovery Fund II, which invests in UK listed companies that could benefit from strategic, operational or management initiatives
- €40 million raised through a joint venture with Key Capital to invest in Collateralised Fund Obligations
- €10 million for the SVG European Focus Fund, which will invest in no more than 35 companies publicly listed on Continental European stock markets

The team currently manage seven diversified private equity fund of funds, five single manager funds (all investing in Permira Funds) and five funds investing in public equities using private equity techniques.

9 As at 1 March 2008

Marketplace

A market commentary can be found in the Chairman's statement on pages 6 and 7.

Financial review

Including the unaudited Directors' valuation of SVG Advisers, over the 12 months net assets per share increased by 14.3%[10], rising to 974.3p per share, with Shareholders' funds increasing to 902.5p per share.

Shareholders' funds does not take full account of the underlying value of SVG Advisers, based on its expanding and recurring income streams and assets under management. It is for this reason that the Directors have disclosed net assets per share of 974.3p, which includes the estimated incremental unaudited Directors' value of SVG Advisers of 71.8p.

SVG Capital has an over-commitment strategy to private equity funds in general and Permira IV in particular, to which the Company committed €2.8 billion in 2006 (both directly and through various feeder vehicles). In order to facilitate this strategy and take advantage of the relatively benign interest rate environment at the time, the Company raised additional finance on 2 August 2007 with the issue of £152.6 million[11] of Senior Notes, taking the total amount of Senior Notes raised in the last two years to £258.1 million[11]. In addition, the Company also increased it loan facility from €600.0 million to €750.0 million (£550.9 million) during the year. At 31 December 2007, the Group had gross cash balances of £183.5 million and was £34.7 million leveraged (2.7% of Shareholders' funds). The most significant cash movements during the year related to calls and distributions in respect of the private equity fund portfolio, which are discussed in more detail in the private equity funds' portfolio review on pages 13 to 16.

Investment portfolio review

Performance has largely been driven by the significant realisation activity in the first half, as Permira and other managers took advantage of favourable markets to realise several portfolio companies. Total net gains, including income, on the opening portfolio valuation were £130.5 million at the year end.

Despite good operational performance in the great majority of the portfolio companies in the year, performance in the second half has been overshadowed by the deterioration in public markets since the onset of the credit crisis in August. This sharp decline in public markets has impacted not only the quoted portfolio, but also the comparable quoted company earnings multiples used to value unquoted portfolio companies. Some of this impact has been offset by the positive influence of foreign exchange movements, with the weakening of sterling against the euro resulting in an approximate £45.3 million (30.6p per share) gain on the portfolio valuation at 31 December 2007.

At 31 December 2007, the net investment portfolio was valued at £1.3 billion. Of this, 88% (£1.16 billion) of the portfolio was invested in private equity funds with the remainder invested in structured private equity funds of funds (5% – £66.1 million); public equity funds and co-investments (3% – £39.5 million); Collateralised Loan Obligation funds (3% – £38.3 million); and other investments (1% – £16.3 million). The majority of the structured private equity funds of funds and public equity funds and co-investments are managed or advised by SVG Advisers or SVG Investment Managers.

£130.5m gain
on opening portfolio valuation

77%
of net investment portfolio in Permira Funds

10 Including 7.5p dividend paid in May 2007
11 Based on exchange rates at 31 December 2007 and including £40 million of Senior Notes issued on 3 January 2008

Private equity funds portfolio

Funds advised by Permira represent the vast majority (87%) of the net private equity funds portfolio and 77% of the total net investment portfolio.

As mentioned above, the key driver of performance has been realisation activity, the majority of which was announced in the first half, with the exception of Aearo Technologies, which the Permira Funds agreed to sell in November 2007. In total there were 10 realisations during the year, representing an aggregate uplift of £138.2 million[12] (93.2p per share) to the December 2006 valuations and an average gross multiple of cost of 3.1x.

From an operational standpoint, the majority of the portfolio companies performed well during the year.

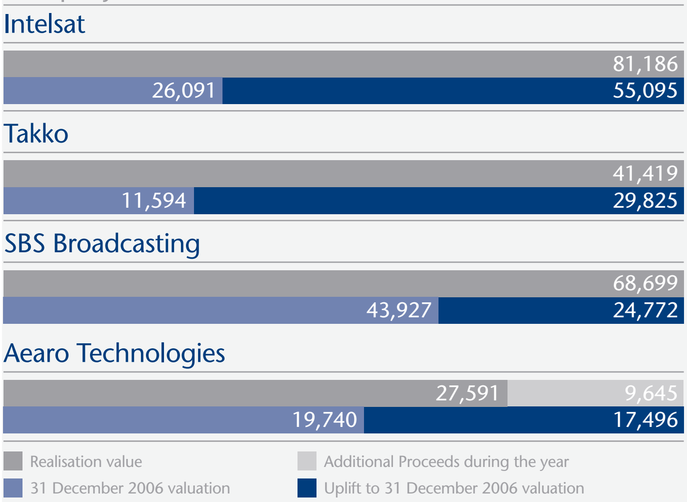
Aside from realisations, there have been several portfolio company valuation write-ups, including: Acromas (AA and Saga), Jet Aviation, TDC, Maxeda and debitel. The write-ups of Acromas, Maxeda and debitel added £67.6 million (45.6p per share) to the portfolio valuation and were highlighted in the interim report.

Jet Aviation is a leading business aviation service company originally acquired by funds advised by Permira in October 2005. Since the acquisition, the management team has been focused on repositioning the business, expanding its geographic footprint and selling non-core assets. At 31 December 2007, SVG Capital's holding in Jet Aviation was valued at £36.7 million, which represents a £15.3 million (10.3p per share) uplift to the December 2006 valuation of £21.4 million.

Since the holding in TDC was acquired in December 2005, the management team has focused on restructuring the business and disposing of non-core assets. At 31 December 2007, the Company was valued at £60.4 million, a write-up of £13.0 million (8.8p per share) to the December 2006 valuation.

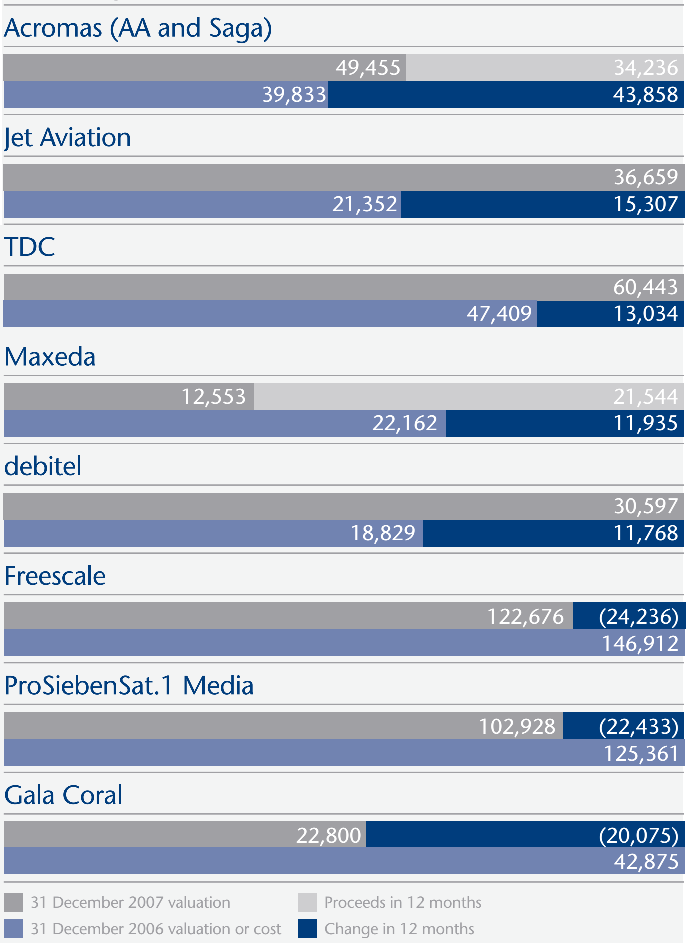
The valuation of Freescale Semiconductors has predominantly been impacted by the poor performance of one of its three business units which supplies semiconductors for mobile phones and represents c.20% of its earnings. The company's major client in this area is Motorola and the performance of the business has been affected by Motorola's loss of market share in 2007. Management has been fast to implement changes and has renegotiated the agreement with Motorola. Recent quarterly performance from the company's two other business units, Networking and Automotive, has met expectations. Since the year end, the company has appointed a new Chairman and CEO, Rich Beyer. Rich was previously CEO of another leading semiconductor company, Intersil Corporation, and has a track record of delivering above market revenue growth and profitability. Freescale has a strong balance sheet with large cash balances, and management is focused on maximising long-term growth and value. At 31 December 2007, SVG Capital's holding in Freescale was valued at £122.7 million, which represents a £24.2 million (16.3p per share) write-down to the December 2006 valuation of £146.9 million.

Major realisations
Company £'000[(i)]



(i) including Permira feeder vehicles and gross of any carried interest provision

Material changes in unquoted valuations
(excluding realisations) £'000[(i)]



(i) including Permira feeder vehicles and gross of any carried interest provision

12 Including realisations that have not been distributed during the year and before any provision for carried interest

As already mentioned above, the deterioration in public markets over the second half of 2007 has had a material impact on the valuation of the portfolio. In particular, the valuations of ProSiebenSat.1 Media and Gala Coral have suffered from a sharp reduction in the public market comparable earnings multiples.

In the case of ProSiebenSat.1 Media, the company is trading in-line with expectations and the integration of SBS Broadcasting is on plan, however, the valuation has been impacted by the weakening of public market comparable earnings multiples. At 31 December 2007, SVG Capital's holding in ProSiebenSat.1 Media was valued at £102.9 million, which represents a £22.4 million (15.1p per share) write-down to cost of £125.4 million.

Almost two-thirds of Gala Coral's valuation write-down is attributable to a fall in comparable public company earnings multiples. The introduction of the smoking ban in the UK and the unexpected change in gambling regulation that led to the removal of 'section 21 machines' has had an impact on the operating environment for the sector. The company has made good progress and is diversifying its product offering and geographic reach and is now recognised as Europe's largest diversified gaming business. At 31 December 2007, SVG Capital's holding in Gala Coral was valued at £22.8 million, which represents a £20.1 million (13.5p per share) write-down to the December 2006 valuation of £42.9 million.

Finally, the deterioration in public markets in the second half of 2007 has resulted in a £27.9 million[13] (18.8p per share) decline in the value of the quoted companies held in the private equity funds portfolio[14].

13 Gross of any provision for carried interest

14 Not including quoted holdings held in the public equity funds and other investments portfolio. Including these investments the decline in the value of quoted holdings in the year was £32.7 million – 22.1p per share

New investments

In total, 22 new and 25 follow-on investments were made in the year, the majority of which were announced in the first half. Calls payable to private equity funds in the 12 months were £500.4 million, with a further approximate £165.0 million expected to be called in the first half of 2008 for new investments announced in 2007 but completing in 2008. In the short-term we expect the level of new investments, especially at the larger end of the market, to slow as pricing adjusts to a more uncertain economic environment and the relative lack of liquidity in the debt markets.

In addition to the new investments announced in the first half, two major new investments were announced in October 2007 – Galaxy Entertainment and Arysta Life Sciences.

Funds advised by Permira have acquired an approximate 20% equity stake in Hong Kong listed Galaxy Entertainment ('Galaxy'). Galaxy is a leading operator of casinos, hotels and entertainment facilities in Macau, China. The company has already captured a substantial share of the fastest-growing gaming market in the world and operates a number of highly successful casinos in Macau. Galaxy's founder, Dr Che-woo Lui, has a strong history in development and construction in Greater China. Galaxy is currently developing its Cotai Mega Resort, which will have some 2,500 rooms, suites and villas and will feature the world's second largest casino when completed. It is currently on track to open in 2009. Galaxy has one of the largest undeveloped land banks in Cotai. Dr Che-woo Lui and members of the Lui family (and related interests) retain an approximate 52% controlling interest in Galaxy. In conjunction with the acquisition, Permira has two board seats and is working closely with the management team to support growth plans. The cost of SVG Capital's holding in Galaxy is £108.4 million. Between the date of acquisition and the year end Galaxy's share price fell by 12.9%, despite the fact that the company is trading in-line with expectations. At 31 December 2007, SVG Capital's holding in the company was valued at £94.1million.

Headquartered in Tokyo, Arysta Life Sciences is the world's tenth largest agro-chemicals company. The company markets a portfolio of over 150 products in more than 125 countries and focuses on two main business lines; conventional crop protection (agriscience) and animal care products (life science). Arysta was created when the agro-chemicals divisions of Japanese trading houses Nichimen and Tomen

Major new investments

Company	SVG Capital cost £'000(i)	Geographic focus	Sector	Date of completion
Valentino	164,224	Multinational	Retail	May 2007
Arysta Life Sciences	133,647(ii)	Multinational	Chemical	February 2008
ProSiebenSat.1 Media	125,361	Continental Europe	Media	March 2007
Galaxy Entertainment	108,389	Asia	Leisure	November 2007
Provimi	53,130	Multinational	Chemicals	April 2007

(i) Including Permira feeder vehicles

(ii) Subject to FX movements

were merged in 2001. Since then, the company has built a reputation as one of the most agile and high-performance companies in the global agro-chemical industry. The transaction closed in February 2008. The cost of SVG Capital's holding in Arysta is expected to be £133.6 million (subject to FX movements).

Distributions

Distributions from the private equity funds portfolio over the 12 months totalled £305.9 million[15], with a further £64.6 million received since the year end and £18.1 million expected before the end of April 2008. The high level of distributions experienced in 2006 and 2007 reflects the favourable exit environment that existed up until the end of the first half of 2007. Since the onset of the credit crisis in the summer, the exit environment has changed and we expect the rate of realisations to be slow and holding periods to lengthen.

Since listing in May 1996, SVG Capital's average uplift on realisations to previous valuation has been 48% (excluding recapitalisations) and a net multiple of 2.2x original cost.

Valuation basis

Half of the portfolio is now valued on an earnings basis, a reflection of several of the newer, larger investments moving from a cost to an earnings valuation for the first time. The largest change in the portfolio's valuation basis is the increase in its weighting to companies written down on an earnings basis. This is a result of the change in valuation of Freescale and ProSiebenSat.1 Media, both of which have been valued on an earnings basis for the first time and are now valued below cost. The 14% exposure to companies valued on a third-party basis mainly reflects SVG Capital's investments in Intelsat which was sold earlier in the year and completed in February 2008; the merger of AA and Saga to form Acromas which completed in September 2007; and Aearo Technologies, which the Permira Funds agreed to sell in November 2007 and is expected to complete in April 2008.

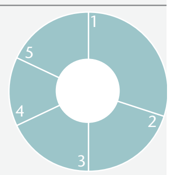
On a 'like-for-like' basis, the weighted-average discounted earnings multiple used to value the portfolio has decreased to 6.3 from 7.5 at December 2006. Including investments valued on an earnings basis for the first time the weighted-average discounted earnings multiple was 7.3.

With the portfolio becoming more focused on larger companies, the weighted-average composite discount applied to companies valued on an earnings basis has decreased to 21%. The result of this is that the specific portfolio company discount that is applied to the average of the industry comparables is lower in a number of instances.

15 Including income of £17.1 million

Valuation analysis by value

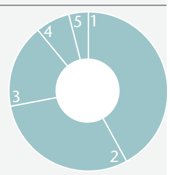
	31 December 2007 %	31 December 2006 %
1. Earnings*	30	36
2. Written down – earnings	20	2
3. Cost	18	34
4. Third-party	14	13
5. Quoted	18	15



* Valuations based on earnings are calculated at an appropriate multiple of EBITDA

Geographical analysis by value

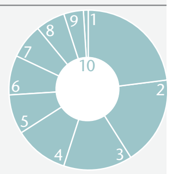
	31 December 2007 %	31 December* 2006 %
1. Multinational	39	32
2. Continental Europe	31	37
3. Far East/Asia Pacific	14	8
4. UK	12	17
5. North America	4	6



* restated for Birds Eye iglo split between UK and Continental Europe

Sector analysis by value

	31 December 2007 %	31 December 2006 %
1. Computer/electronics and communications	23	26
2. Retail	20	12
3. Leisure	12	17
4. Chemicals	11	8
5. Media	9	6
6. Consumer	8	11
7. Medical/health	8	8
8. Other services	6	8
9. Industrial products/services	2	3
10. Other manufacturing	1	1



Geographical and sector distribution (by value)

The portfolio remains geographically diversified with multinational companies representing 39% of the portfolio, an increase of 7% over the year and primarily a reflection of new investments such as Valentino. The fall in the portfolio's weightings to Continental European and UK companies is attributable mainly to realisations or revaluations coupled with the larger portfolio base. The increase in the portfolio's exposure to Far East/Asia Pacific has been driven by the new investment in Galaxy Entertainment.

Computer/electronics and communications continues to be the largest portfolio sector weighting, with the slight decrease over the year more a reflection of a larger portfolio base than any aggregate movement in valuation, with the increase in value of Intelsat more than outweighing the movement in valuation of Freescale. The new investment in Valentino has meant that the portfolio's exposure to the retail sector has increased to 20%, with the portfolio's weighting to the leisure sector falling following the realisation of the majority of the Ferretti investment and the write-down of Gala Coral.

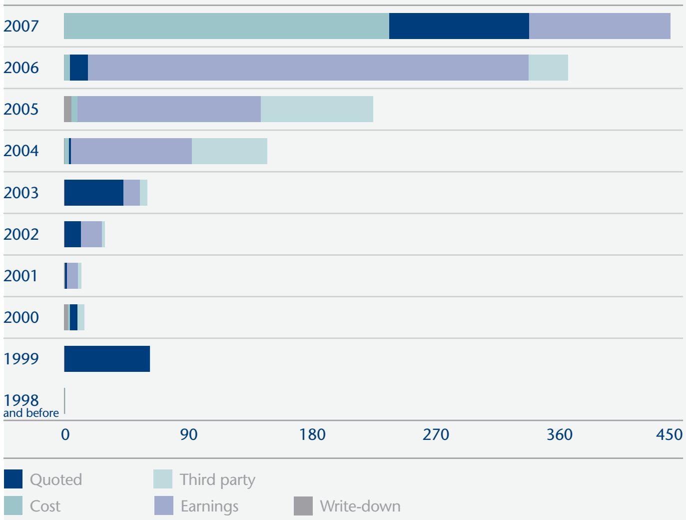
Deal type

Almost all of SVG Capital's portfolio is invested in later-stage investments, with management buy-outs/ins and development capital transactions representing 90% of the portfolio.

Portfolio concentration

The number of portfolio companies increased to 129 from 120 in the 12 months with the 20 largest companies representing 85% of the portfolio[16].

Portfolio maturity – investments in companies 31 December 2007 £ million



Year of original investment in underlying companies

16 Gross investment portfolio of £1,360.4 million

Structured private equity funds of funds portfolio

As highlighted in the interim accounts, over the last three years, SVG Capital has built up a portfolio of structured private equity funds of funds, the majority of which are managed or advised by SVG Advisers.

At 31 December 2007, SVG Capital's investments in these funds were valued at £66.1 million, an uplift of £43.7 million (29.5p per share) to the December 2006 valuation, or acquisition cost.

Public equity funds portfolio

The sharp deterioration in public markets over the second half of 2007, especially in smaller companies, impacted SVG Capital's holding in funds managed by its public equity team. At 31 December 2007, SVG Capital's holdings in these funds were valued at £39.5 million, which represents a £7.9 million (5.3p per share) decline to the opening valuation or attributable cost.

Structured private equity funds of funds portfolio

	12 months to 31 December 2007 £ million
Opening valuation	5.6
Calls paid	17.6
Distributions received	(0.8)
Increase in value of portfolio	43.7
Closing portfolio	66.1

Public equity funds portfolio

	12 months to 31 December 2007 £ million
Opening valuation	30.2
Calls paid	22.2
Distributions received	(5.0)
Decrease in value of portfolio	(7.9)
Closing portfolio	39.5

Collateralised Loan Obligations

	12 months to 31 December 2007 £ million
Opening valuation	10.1
Calls paid	30.5
Distributions received	(0.7)
Decrease in value of portfolio	(1.6)
Closing portfolio	38.3

Other investments

	12 months to 31 December 2007 £ million
Opening valuation	3.1
Calls paid	11.1
Distributions received	–
Increase in value of portfolio	2.1
Closing portfolio	16.3

Collateralised Loan Obligation equity funds

SVG Capital has three investments in Collateralised Loan Obligation equity funds investing in diversified portfolios of leveraged loans sponsored by private equity backed companies. At 31 December 2007, these investments were valued on a yield basis at £38.3 million, which is broadly in line with the opening valuation or cost.

Other investments

SVG Capital's US$50.0 million commitment to an investment fund investing in quoted mid-sized Indian companies was 27.8% called at the year end. The value of this investment, in addition to the Company's investment in Key Capital, a Dublin based corporate finance firm, was £16.3 million at 31 December 2007, which represents a £2.1 million (1.4p per share) increase to the opening valuation or attributable cost.

Investment portfolio uncalled commitments

At 31 December 2007, SVG Capital had £1,559.7 million of uncalled commitments.

Uncalled commitments	Amount called (local currency) millions	Amount uncalled (local currency) millions	SVG Capital uncalled commitment £ millions*
Permira funds			
Permira Europe II	€633.9	€16.3	12.0
Permira Europe III	€353.6	€72.4	53.2
Permira IV	€867.1	€1,589.4	1,167.4
P123	€38.7	€9.7	7.1
P1234	€30.8	€7.7	5.7
P25	€7.0	€75.0	55.1
SVG Sapphire IV	€4.2	€9.8	7.2
			1,307.7
Other private equity funds			
The Japan Fund IV	¥4,287.6	¥6,426.0	28.9
SV Investments Fund I	US$57.9	US$5.3	2.7
SV Life Sciences Fund II	US$44.6	US$2.1	1.1
SV Life Sciences Fund III	US$58.5	US$16.5	8.3
SV Life Sciences Fund IV	US$11.0	US$39.0	19.6
			60.6
Structured private equity funds of funds			
SVG Diamond	–	€54.9	40.3
SVG Diamond II	–	€68.8	50.5
SVG Diamond III	€12.0	€48.0	35.3
Vintage I	€11.2	€28.8	21.2
			147.3
Collateralised Loan Obligation equity funds			
Key Capital SVG CLO Equity Fund II	€7.0	€13.0	9.5
Public equity funds			
Strategic Recovery Fund II	£11.8	£16.5	16.5
Other investments			
SVG India	US$13.9	US$36.1	18.1
Total			**1,559.7

*based on exchange rates at 31 December 2007
**excluding warehoused assets

Investment portfolio calls and distributions

In total, SVG Capital has paid calls of £581.7 million and received distributions of £312.4 million[17] in the 12 months. Since the year end, SVG Capital has received further distributions from its investment portfolio totalling £66.0 million and paid calls of £28.0 million.

Foreign exchange movements

The 8.3% weakening of sterling against the euro more than offset the weakening of the US$ over the year and resulted in an approximate £45.3 million (30.6p per share) gain on the portfolio valuation at 31 December 2007.

Cash and marketable securities

At 31 December 2007, the Group had cash balances of £183.5 million[18] (December 2006: £295.5 million) held principally in treasury bills and AAA-rated money market funds. Since the year end, SVG Capital has received proceeds of £40.0 million from the Private Placement of Notes in January 2008.

Summary returns on investment portfolio

SVG Capital Group's return on its total investment portfolio is summarised below:

	12 months to 31 December 2007 £ million	12 months to 31 December 2006 £ million
Opening valuation	921.5	703.7
Calls payable	581.7	311.3
Distributions received	*(312.4)	**(309.5)
	1,190.8	705.5
Return on portfolio	*85.2	**241.4
Plus/(less) FX movement	45.3	(25.4)
	130.5	216.0
Closing portfolio	1,321.3	921.5

*including £17.1 million of income
**including £18.0 million of income

17 Including income of £17.1 million
18 Company cash balances were £152.4 million at 31 December 2007

20 largest underlying companies

In the following pages, we show SVG Capital's 20 largest investments by value as at 31 December 2007. The valuations of these companies have been presented in accordance with IFRS.

1 Valentino Fashion Group/ Hugo Boss Italy

Company	£000's
Cost	164,224
IFRS value	173,560
Date of acquisition	May 2007
Percentage of Shareholders' funds	13.4%

The Valentino Fashion Group and Hugo Boss operate in over 100 countries, with more than 1,500 single-brand boutiques and 345 directly-managed shops. The group's activities are broken down into three business units, covering the entire luxury and fashion sector: Valentino, Hugo Boss and licensed brands including M Missoni, in addition to its own brand Lebole. The valuation basis is cost.

2 Freescale US

Company	£000's
Cost	147,191
IFRS value	122,676
Date of acquisition	November 2006
Percentage of Shareholders' funds	9.4%

Freescale is a global leader in the design and manufacture of embedded semiconductors for wireless, networking, automotive, consumer and industrial markets. Based in Texas, Freescale has market leadership in the above-mentioned markets including the no.1 share in automotive semiconductors and wired communications processors. The valuation basis is earnings.

3 ProSiebenSat.1 Media Germany

Company	£000's
Cost	125,361
IFRS value	102,928
Date of acquisition	March 2007
Percentage of Shareholders' funds	7.9%

ProSiebenSat.1 Media is the second largest pan-European broadcasting corporation. The ProSiebenSat.1 group's core business is Free-TV and through its four interrelated stations – Sat.1, ProSieben, kabel eins and N24, it owns Germany's largest family of commercial TV channels. The valuation basis is earnings.

4 Galaxy Entertainment Greater China

Company	£000's
Cost	108,389
IFRS value	94,104
Date of acquisition	November 2007
Percentage of Shareholders' funds	7.2%

Galaxy is a leading operator of casinos, hotels and entertainment facilities in Macau, China. The company has already captured a significant share of the fastest growing gaming market in just four years and operates a number of casinos in Macau, including its flagship StarWorld. The valuation basis is quoted.

Intelsat.

+£55.1m
uplift to December 2006 valuation

The realisation of Intelsat was announced in June 2007 and completed in February 2008. Intelsat is the leading provider of fixed satellite services worldwide, delivering advanced transmission access for information and entertainment to some of the world's leading media and network companies, multinational corporations, internet service providers and governmental agencies.

5 BorsodChem Hungary

Company	£000's
Cost	79,163
IFRS value	86,304
Date of acquisition	December 2006
Percentage of Shareholders' funds	6.6%

BorsodChem is a leading European chemical company focusing on isocyanates and PVC. Isocyanates are the key building block for polyurethane foams which are used in applications such as furniture, bedding, construction, automotive interiors, coatings and adhesives. The valuation basis is earnings.

6 Intelsat Bermuda

Company	£000's
Cost 436	
IFRS value	81,186
Date of acquisition	January 2005
Percentage of Shareholders' funds	6.2%

Intelsat is a global provider of fixed satellite services, supplying video, data and voice connectivity in over 200 territories. The realisation of Intelsat was announced in June 2007 and completed in February 2008. The valuation basis is third-party.

7 TDC Denmark

Company	£000's
Cost	48,165
IFRS value	60,443
Date of acquisition	December 2005
Percentage of Shareholders' funds	4.7%

TDC is a leading Danish-based provider of communications solutions with significant presence in selected markets in Northern and Central Europe. TDC now operates mainly through four domestic Nordic divisions (Business Nordic, Fixnet Nordic, Mobile Nordic and YouSee) and through Sunrise, the no.2 telecoms operator in Switzerland. The valuation basis is earnings.

8 Provimi France

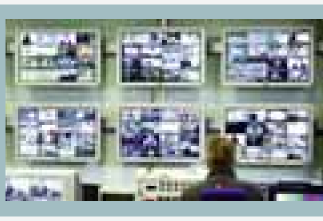
Company	£000's
Cost	53,130
IFRS value	56,777
Date of acquisition	April 2007
Percentage of Shareholders' funds	4.4%

Provimi is a world leader in animal nutrition solutions. The company operates over 100 plants in 30 countries specialising in innovative products serving the nutritional and health needs of all animals. The valuation basis is cost.

9 Acromas (AA and Saga) UK

Company	£000's
Cost	49,455
IFRS value	49,455
Date of acquisition	September 2007
Percentage of Shareholders' funds	3.8%

Acromas was formed in September 2007 by the merger financing of the AA and Saga, bringing together the two brands to create the UK's leading affinity based motoring, travel and financial services organisation. The valuation basis is third-party.



+£13.0m
uplift to December 2006 valuation

Since the holding in TDC was acquired in December 2005, the management team has focused on restructuring the business and disposing of non-core assets. At 31 December 2007, the Company was valued at £60.4m.

10 Parkway Holdings Singapore

Company	£000's
Cost	19,537
IFRS value	48,359
Date of acquisition	December 1999
Percentage of Shareholders' funds	3.7%

Parkway is a private healthcare provider in Singapore with an established network of hospitals and clinics in Malaysia, Indonesia and India. The company has the region's best-known brand name and a reputation for technological leadership. The valuation basis is quoted.

11 SEAT Pagine Gialle Italy

Company	£000's
Cost	28,255
IFRS value	43,000
Date of acquisition	July 2003
Percentage of Shareholders' funds	3.3%

SEAT Pagine Gialle, is a telephone directories, business information and directory assistance company, which demerged from the internet, television and business publishing arm of SEAT in August 2003. The company has significant market share in Italy, the UK and Germany and is one of Italy's leading yellow pages and telephone directory publishers. The valuation basis is quoted.

12 Birds Eye iglo UK

Company	£000's
Cost	35,679
IFRS value	38,894
Date of acquisition	November 2006
Percentage of Shareholders' funds	3.0%

Birds Eye iglo is a leading manufacturer of frozen foods, operating mainly in the UK and Ireland under the 'Birds Eye' brand and in Continental Europe under the 'iglo' brand. The company's main products include fish, vegetable and ready meals, in addition to iconic products such as fish fingers and Schlemmer Filets. The valuation basis is earnings.

13 Jet Aviation Switzerland

Company	£000's
Cost	21,819
IFRS value	36,659
Date of acquisition	October 2005
Percentage of Shareholders' funds	2.8%

Jet Aviation was founded in 1967 and is a leading independent global business aviation service company with over 20 facilities and stations around the world. The company provides maintenance, completions and engineering services for business jets, as well as fixed-base operations and airline charter and management services on a global basis. The valuation basis is earnings.

14 debitel Germany

Company	£000's
Cost	361
IFRS value	30,597
Date of acquisition	June 2004
Percentage of Shareholders' funds	2.4%

debitel is the third largest mobile telephony provider and the leading distribution platform in Germany, offering a wide range of telecommunications products (mobile, fixed-line and internet). The company is headquartered in Germany and following a year of active M&A now has over 14 million customers. The valuation basis is earnings.

JET AVIATION

+£15.3m
uplift to December 2006 valuation

Jet Aviation is a leading business aviation service company originally acquired by funds advised by Permira in October 2005. Since the acquisition, the management team has been focused on repositioning the business, expanding its geographic footprint and selling non-core assets. At 31 December 2007, SVG Capital's holding in Jet Aviation was valued at £36.7m.

15 Aearo Technologies US

Company	£000's
Cost	10,335
IFRS value	27,591
Date of acquisition	March 2006
Percentage of Shareholders' funds	2.1%

Aearo Technologies is a global leader in the personal protection equipment industry, competing primarily in the higher value added hearing, eye, head, face, respiratory and fall protection market segments. The valuation basis is third-party.

16 DinoSol Supermercados Spain

Company	£000's
Cost	10,515
IFRS value	24,184
Date of acquisition	November 2004
Percentage of Shareholders' funds	1.9%

DinoSol Supermercados (formerly Ahold Supermercados) operates c.460 core stores in Spain and the Canary Islands, trading primarily under the SuperSol and HiperDino brands. The valuation basis is earnings.

17 Principal Hayley Group UK

Company	£000's
Cost	21,554
IFRS value	23,518
Date of acquisition	September 2006
Percentage of Shareholders' funds	1.8%

Principal Hayley Group is a collection of 19 hotels and conference centres which competes in the upper mid-market segment of the UK hotel and conference markets. The valuation basis is earnings.

+£17.5m
uplift to December 2006 valuation

The realisation of Aearo Technologies was announced in November 2007 and completed in April 2008. Aearo Technologies is a global leader in the personal protection equipment industry, competing primarily in the higher value added hearing, eye, head, face, respiratory and fall protection market segments.

18 Gala Coral Group UK

Company	£000's
Cost	42,975
IFRS value	22,800
Date of acquisition	September 2005
Percentage of Shareholders' funds	1.8%

The Gala Coral Group is Europe's pre-eminent gaming group operating through five key divisions: Gala Bingo; Gala Casino; Coral (licensed betting offices in the UK); E-commerce (comprising Eurobet and the Gala Bingo and TV operations); and an International Division. The valuation basis is earnings.

19 Telepizza Spain

Company	£000's
Cost	13,453
IFRS value	18,880
Date of acquisition	September 2006
Percentage of Shareholders' funds	1.5%

Telepizza is currently the leading player in the Spanish home delivery and take-away pizza business operating over 600 owned and franchised outlets. The company has an international presence in Portugal, Chile, Central America and Poland where it has around 35% of its outlets, and also operates seven dough and cheese factories in Spain, Poland, Portugal and Chile for its own products. The valuation basis is earnings.

20 New Look UK

Company	£000's
Cost 599	
	15,041
Date of acquisition	April 2004
Percentage of Shareholders' funds	1.2%

New Look is a leading UK fashion retailer with a value proposition aimed at targeting the young female market. It has a similar business in France trading under the MIM fascia. The company was established in 1969 and has grown to become the UK's third largest single fascia retailers of womenswear with around 4% of the UK market. New Look has around 590 stores in the UK and Ireland and during 2007 opened eight stores in France and five in Belgium. MIM has 263 stores in France. The valuation basis is earnings.

SVG Advisers

The investment management and advisory business, SVG Advisers was established in 2001 with the key objective of providing intelligent solutions and innovative structures for investing in private equity or public equity using private equity techniques.

The business has continued to grow and expand into new markets with five new funds raised during the year and a 33% increase in funds and commitments under management to €4.4 billion.

Total external fee income increased from £20.3 million to £29.7 million, including recurring external fees of £22.1 million, compared to £13.4 million in 2006. Including fees paid by SVG Capital to SVG Advisers total fees earned by the operating subsidiaries and other income were £37.1 million, contributing £17.6 million to the Group's profit before tax in 2007.

The business now employs almost 70 people managing seven diversified private equity funds of funds, five single manager funds (all investing in Permira Funds) and five funds investing in public equities using private equity techniques. In addition to these the business also benefits from fee income from two Collateralised Loan Obligation equity funds of funds raised in conjunction with Key Capital.

Contractual arrangements

As was fully reported to in a Circular to shareholders dated 24 March 2005, SVG Capital entered into arrangements with Permira which allowed it full access to Permira IV and to its successor, Permira V. Concurrent with the arrangements, Permira subscribed for 6 million shares in the Company. It was and remains the Board's view that these arrangements strengthened the Company's long-standing relationship with Permira. A copy of the Circular to shareholders is available on the Company's website: www.svgcapital.com.

Risks and risk management

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. A fuller analysis of the Directors' system of internal control and its monitoring system, is set out in the Corporate Governance Statement. The principal risks are considered to be as follows:

General risks associated with investment in private equity

Investment in private equity involves a high degree of risk. The Group invests in private equity through its exposure to buy-out and development capital funds. Such investments are illiquid and might be difficult to realise, particularly within a short timeframe. The Directors seek to maintain a diversified portfolio of investments to mitigate these risks, although the portfolio does remain concentrated with respect to private equity fund managers as explained below.

Valuation risk

The Group's exposure to valuation risk comprises mainly movements in the value of its underlying investments. A breakdown of the Group's portfolio of private equity funds is given on pages 26 to 27 and a detailed analysis of the 20 largest underlying companies is given on pages 18 to 21. All underlying investments are valued at fair value by the Directors in accordance with the current International Private Equity and Venture Capital ('IPEVC') Guidelines. The IPEVC Guidelines contain detailed methodology setting out best practice with respect to valuing unquoted investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds carried out by the managers of the private equity funds twice each year. These valuations are then considered by the Audit Committee and the Board with advice and assistance from SVG Advisers, the managers of the private equity funds and other advisers as appropriate. The Group's Auditor also reviews the valuations as part of their audit and agrees any changes with the Audit Committee and the Board.

Future commitment/funding risk

At 31 December 2007, the Group had significant uncalled commitments of £1,559.7 million (2006: £1,828.4 million), compared to Shareholders' funds of £1,299.7 million (2006: £1,154.0 million). The Group has in place a €750.0 million five year multicurrency borrowing facility and has in addition issued £258.1 million[19] of unsecured Private Placement Notes.

19 Including £40 million of Notes issued in January 2008

The Board considers cash-flow forecasts at each Board meeting and expects to meet a substantial portion of its uncalled commitments, as well as commitments to future funds, from distributions received from its investments and from borrowings available to the Group. At the present time, an amount of €123.7 million is utilised by way of guarantees of the Company's commitments to the SVG Diamond programme. Any reduction in the net asset value attributable to shareholders and the share price will be amplified by balance sheet gearing. The Directors keep the Group's gearing under review and impose restrictions on borrowings to mitigate this risk.

Investment holdings period

Investment in private equity requires a long-term commitment with no certainty of return. Many of the investments made by the Group are illiquid holdings in buy-out and development capital funds and, in some cases, may not be capable of being realised in a timely manner or at all. The timing of cash distributions, if any, made by the buy-out and development capital funds is uncertain and unpredictable. Investments in buy-out and development capital funds may be difficult to value and dispositions may require a lengthy time period since there is only a limited market for secondary sales of private equity investments. Further, sales or other transfers of interests in buy-out and development capital funds usually require the written consent of the general partner of the fund, the granting of which is at its discretion. Accordingly, the Group may not be able to sell its investments in buy-out and development capital funds at their net asset value or even at discounted prices below the net asset value.

However, the Directors believe that the investment process employed when initially selecting investments helps to ensure that the Group's investments would normally be attractive to buyers in the secondary market.

Concentration risk

The Company has direct investments in 17 private equity funds providing it with a portfolio of 129 companies that are diversified by vintage year, size, geography and industry sector. The majority of the Company's investments are managed or advised by Permira, and the future performance of the Group will therefore be largely dependent on the future performance of the Permira Funds in which it invests.

The Directors have chosen this strategy on the basis of the very long positive record of Permira and the geographical and industry diversification which the Permira Funds provide. However, the greater concentration of the investment portfolio also presents a risk. Each fund investment proposition is considered by the Investment Committee and the Board in accordance with a structured investment process. This includes presentations from the manager of the proposed fund, extensive due diligence, consideration of the terms and conditions for investment in the fund, consideration of the Group's own cash-flows and future commitments and a review of the effect of any such investment on portfolio concentration.

Currency risk

The Group is exposed to currency risk directly since the majority of its assets and liabilities are denominated in foreign currency and their sterling value can be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of its investments. However, currency risk is monitored on a regular basis by the Board and cash balances are held in accordance with an agreed policy to match, as far as possible, anticipated future commitments. The Company's bank lines are multi-currency.

Regulatory risks

The regulatory environment in which the Group operates is increasingly complex and the Group faces a number of regulatory risks. Breaches of regulations such as the UK Listing Authority's Listing Rules could lead to a number of detrimental outcomes and damage the Group's reputation. Breaches of controls by service providers could also lead to reputational damage or loss. Key regulatory risks have been identified and appropriate monitoring of such risks is undertaken regularly on behalf of the Board. Three of the Company's subsidiaries: SVG Advisers Limited, SVG Investment Managers Limited and SVG Managers Limited are authorised and regulated by the Financial Services Authority.

Taxation risks

Any change in the taxation legislation or practice could affect the value of the Group's investments and as a result, its performance. A breach of section 842 of the Income and Corporation Taxes Act 1988 could result in the Group being subject to corporation tax on realised gains on the sale of portfolio investments. However, the Group has strict controls in place to ensure that it complies with the requirements of section 842 and contracts with specialist tax advisers to provide advice on changes to tax regulation and practice.

Major acquisitions

Valentino Fashion Group/Hugo Boss
operates in over 100 countries, with more than 1,500 single-brand boutiques and 345 directly-managed shops. The group's activities are broken down into three business units, covering the entire luxury and fashion sector: Valentino, featuring the prestigious brands Valentino, Valentino Garavani, Valentino Roma and R.E.D. Valentino; Hugo Boss, which includes the Boss and Hugo brands; and licensed brands including M Missoni, in addition to its own brand Lebole.

£164.2m

ProSiebenSat.1 Media
is the second largest pan-European broadcasting corporation. The ProSiebenSat.1 Group's core business is Free-TV and through its four interrelated stations – Sat.1, ProSieben, kabel eins and N24, it owns Germany's largest family of commercial TV channels.

£125.4m

Galaxy Entertainment
is a leading operator of casinos, hotels and entertainment facilities in Macau, China. The company has already captured a significant share of the fastest growing gaming market in just four years and operates a number of casinos in Macau, including its flagship StarWorld.

£108.4m

Major realisations

Takko
Funds advised by Permira originally invested in Takko, the German-based fashion discounter, in March 2000. Since then, the company has under gone a series of strategic and operational changes and has grown substantially and now has 1,050 outlets in 10 countries. In June 2007, Takko was sold in a transaction that valued SVG Capital's share of the business at £41.4 million.

+£29.8m

Intelsat
The realisation of Intelsat was announced in June 2007 and completed in February 2008. Intelsat is the leading provider of fixed satellite services worldwide, delivering advanced transmission access for information and entertainment to some of the world's leading media and network companies, multinational corporations, internet service providers and governmental agencies. The realisation valued SVG Capital's holding at £81.2 million.

+£55.1m

SBS Broadcasting
ProSiebenSat.1 Media acquired SBS Broadcasting Group in July 2007, creating a pan-European broadcasting group, and valuing SVG Capital's holding in SBS at £68.7 million.

+£24.8m

List of investments (Group) at 31 December 2007

	Year formed	Original life (years)	SVG Capital's holding in the fund %	Value of SVG Capital's holding £'000	SVG Capital's shareholders' funds %
Europe					
Permira Europe I The first US$1 billion fund raised for private equity investment in Europe focusing on large and medium-sized leveraged buy-out opportunities.	1997*	10	13.5	5,290	0.4
Permira Europe II Formed as the successor to Permira Europe I, the fund focuses on European buy-outs and buy-ins, in addition to growth capital investments.	2000	10	19.7	101,734	7.8
Permira Europe III Formed as the successor to Permira Europe II, the fund focuses on buy-outs/ins and growth capital investments in European businesses or of global businesses with a strong European presence.	2003	10	8.6	233,871	18.0
Permira IV Formed as a successor fund to Permira Europe III, the fund focuses on buy-outs/ins and growth capital investments in businesses which have or intend to have significant activities in Europe. The fund may invest up to 30% of its committed capital in businesses which do not have or intend to have significant activities in Europe.	2006	10	22.7	522,952	40.3
P123 A fund of Permira pan-European buy-out funds, with interests in Permira Europe I, II and III.	2003	15	38.9	55,163	4.2
P1234 A fund of Permira buy-out funds, with interests in P123 and Permira IV.	2006	15	42.8	48,256	3.7
P25 A fund of Permira buy-out funds, with interests in Permira Europe III and Permira IV.	2006	15	47.7	43,508	3.4
SVG Sapphire IV A feeder fund that invests solely in Permira IV.	2006	15	34.2	1,826	0.1
Permira Italy II Established to make equity and near-equity investments in buy-outs and buy-ins, including development capital businesses, principally in Italy.	1993	10*	21.0	1,300	0.1
Permira UK III Established as Permira's third buy-out fund in the United Kingdom to invest in equity and near-equity investments in buy-outs, buy-ins, development capital businesses and turnarounds.	1993	10*	0.3	62	0.0
Permira UK Venture III Established to invest in a diversified portfolio of venture or development capital businesses and buy-outs principally in the United Kingdom.	1990	10*	8.7	123	0.0
Permira UK Venture IV Established to follow the policies of the fully invested Permira UK Venture III.	1995	10*	4.2	128	0.0
Total Europe				1,014,213	78.0
Asia					
Asia Pacific Trust Formed to invest in equity and near-equity investments in the high growth economies of the Asia Pacific region. This trust has been in liquidation since 1998.	1990	8*	6.4	792	0.1
Asia Pacific Fund II Established to make equity or near-equity investments in buy-outs, buy-ins, development capital businesses and turnarounds, principally in the Asia Pacific region with an emphasis on Australia, China, Hong Kong, India, Indonesia, Malaysia, Singapore and Thailand.	1994	10*	14.0	6,965	0.5
Schroder Ventures Asia Pacific Fund Established to make equity or near-equity investments in companies that have significant exposure to the Asia Pacific region. The fund focuses principally on management buy-outs and buy-ins, financial acquisitions and larger development capital opportunities.	1999	10	29.9	61,911	4.8
Co-investments with Asia Pacific Fund II and Schroder Ventures Asia Pacific Fund				6,288	0.5
The Japan Fund IV Established to invest in buy-out transactions in Japan across a range of industries and sectors.	2004	10	27.2	15,609	1.2
Total Asia				91,565	7.1

* The lives of these funds have been extended.

	Year formed	Original life (years)	SVG Capital's holding in the fund %	Value of SVG Capital's holding £'000	SVG Capital's shareholders' funds %
North America					
Schroder Canadian Buy-Out Fund III Established to invest principally in buy-outs, buy-ins, leveraged build-ups and development capital opportunities in Canada.	2000	10	26.6	518	0.0
Co-investments with Schroder Canadian Buy-Out Funds II & III and SV Investments Fund I				2,616	0.2
SV Life Sciences Fund II Formerly known as Schroder Ventures International Life Sciences Fund II. SV Life Sciences Fund II invests in a diversified portfolio of life sciences companies principally in the United States and Europe. The majority of these investments will be in early-stage opportunities.	1999	10	16.7	7,047	0.6
SV Life Sciences Fund III Formerly known as International Life Sciences Fund III. The successor to SV Life Sciences Fund II, established to invest in a diversified portfolio of life sciences companies principally in the United States and Europe. The majority of these investments will be in early-stage opportunities.	2002	10	19.1	22,938	1.8
SV Life Sciences Fund IV Formed as a successor fund to SV Life Sciences Fund III, to invest in a diversified portfolio of life sciences companies principally in the United States and Europe. The majority of these investments will be in early-stage opportunities.	2006	10	9.0	4,615	0.4
SV Investments Fund I Established to invest in larger development capital and mid-size buy-outs in the United States, with a particular focus on media, telecommunications and technology sectors.	1999	10	25.9	17,463	1.3
Total North America				55,197	4.3
Total private equity funds portfolio				1,160,975	89.4

	Value of SVG Capital's holding £'000	SVG Capital's shareholders' funds %
Structured private equity funds of funds:		
SVG Diamond I	16,975	1.3
SVG Diamond I (F Notes)	3,452	0.3
SVG Diamond II	2,359	0.2
SVG Diamond II (F Notes)	1,138	0.1
SVG Diamond III	7,003	0.5
Vintage I	35,218	2.7
Total structured private equity funds of funds	66,145	5.1
Public equity funds:		
Strategic Equity Capital	10,350	0.8
SVG UK Focus Fund	7,550	0.6
SVG UK Alpha	4,999	0.4
Strategic Recovery Fund II – co-investment	9,433	0.7
SVG European Fund	7,213	0.5
Total public equity funds	39,545	3.0
Collateralised Loan Obligation funds:		
Key Capital SVG CLO Equity Fund	25,574	1.9
Key Capital SVG CLO Equity Fund II	5,141	0.4
PDM CLO I	7,586	0.6
Total Collateralised Loan Obligation funds	38,301	2.9
SVG India	9,817	0.8
Other	6,532	0.5
Total other investments	16,349	1.3
Total investment portfolio	1,321,315	101.7
Other assets less total liabilities	(21,610)	(1.7)
Total Shareholders' funds	1,299,705	100.0

Comparative values for the 10 largest funds are shown in note 32. *The lives of these funds have been extended.

Directors

Nicholas Ferguson

Chairman (aged 59)

Nicholas Ferguson was appointed as a Director of the Company on 12 February 1996 and Chairman on 25 April 2005. He is non-executive Chairman of SVG Advisers Limited and was formerly Chairman of Schroder Ventures and instrumental in its development since 1984. He is a non-executive Director of BSkyB plc.

Committees:
Investment (Chairman)
Nominations (Chairman)

Andrew Williams

Executive Director (aged 55)

Andrew Williams was appointed as a Director of the Company on 3 May 2002. He is Chief Executive of SVG Advisers Limited, Managing Principal of SVG North America Inc and a non-executive Director of CDC Group plc.

Committees:
Investment

Damon Buffini

Non-Executive Director (aged 45)

Damon Buffini was appointed as a Director of the Company on 25 April 2005. He joined Permira in 1988. He became a partner of Permira in 1992, Managing Partner of the UK in 1999 and Managing Partner in 2000. He is now Chairman of the Board of Permira Holdings Limited and Chairman of Permira's investment committee.

Committees:
Nominations

Francis Finlay

Non-Executive Director (aged 65)

Francis Finlay was appointed as a Director of the Company on 1 October 2004. He is Chairman of Clay Finlay Inc., a New York based investment management firm with offices in Europe and Asia. His other non-executive directorships include two London listed investment trusts, Scottish Investment Trust plc and Indochina Capital Vietnam Holdings Limited.

Committees:
Remuneration (Chairman)
Investment
Nominations

Anthony Habgood

Non-Executive Director (aged 61)

Anthony Habgood was appointed as a Director of the Company on 12 February 1996 and is Chairman of Bunzl plc and Chairman of Whitbread plc. Anthony Habgood is the Senior Independent Director of the Company.

Committees:
Audit
Investment
Nominations
Remuneration

Edgar Koning

Non-Executive Director (aged 55)

Edgar Koning was appointed as a Director of the Company on 12 February 1996 and is Executive Vice President with AEGON Nederland NV. He joined AEGON in 1981 and has held various senior management positions in the Group.

Committees:
Investment
Nominations

Denis Raeburn

Non-Executive Director (aged 64)

Denis Raeburn was appointed as a Director of the Company on 25 June 2001 and was Managing Director of the asset management company Global Asset Management (GAM) between 1986 and 1999.

Committees:
Audit
Investment
Nominations
Remuneration

Charles Sinclair

Non-Executive Director (aged 60)

Charles Sinclair was appointed as a Director of the Company on 1 January 2005. He is Chief Executive of Daily Mail and General Trust plc. He is a non-executive Director of Euromoney Institutional Investor PLC.

Committees:
Audit (Chairman)
Investment

Gary Steinberg

Non-Executive Director (aged 55)

Gary Steinberg was appointed as a Director of the Company on 15 March, 2007. He is currently working as an investment consultant. Prior to this, Gary was the Chief Investment Officer of The Wellcome Trust and the Chief Executive of BP Investment Management, responsible for managing investment portfolios of £11 billion and £12 billion respectively.

Committees:
Audit
Investment
Remuneration

Report of the Directors for the year ended 31 December 2007

The Directors submit their report and the audited accounts of the Company for the year ended 31 December 2007.

Company's business

The Company carries on business as an investment trust and is an investment company within the meaning of Section 266 of the Companies Act 1985. In order to obtain exemption from corporation tax on capital gains, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by HM Revenue & Customs as meeting the qualifying criteria for investment trust status is the year ended 31 December 2006 and the Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval.

The Company is not a close company for taxation purposes.

A review of the Company's business and its likely future development is given in the Chairman's statement on pages 6 and 7, the Chief Executive's review on pages 8 and 9 and the Business review on pages 10 to 23.

Revenue and earnings

As an investment trust and an investment company, it is important to distinguish between revenue profits and capital profits. The consolidated revenue profit for the year attributable to equity shareholders was £20,970,000 (2006: £21,957,000). The Company's revenue profit for the year was £9,950,000 (2006: £14,851,000).

The consolidated capital profit for the year attributable to equity shareholders was £131,124,000 (2006: £190,026,000). The Company's capital profit for the year was £129,572,000 (2006: £189,257,000).

Taking revenue and capital returns into account, the consolidated profit for the year attributable to equity shareholders was £152,094,000 (2006: £211,983,000). The Company's profit for the year was £139,522,000 (2006: £204,108,000).

Dividend

The Company is prohibited by its Articles of Association from distributing as dividends any capital surpluses that arise from the realisation of investments. Accordingly, any dividends paid by the Company will be funded out of its revenue account.

The Company's investment objective is one of capital growth and it is anticipated that returns for shareholders will derive primarily from capital. However, the Directors recommend that the Company should declare the payment of a final dividend of 6.5p per share for the year ended 31 December 2007 in order to meet the requirements to ensure that the Company continues to qualify as an investment trust.

Charitable donations

The amount paid by the Group to charitable organisations during 2007 was £26,410. Further information on the Group's charitable activities and donations policy can be found in the section on Corporate Social Responsibility on page 41. No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during 2007.

Policy for payment of creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Company had no trade creditors at 31 December 2007.

Purchase of shares for cancellation

The Directors have not used the authority given to them at the Annual General Meeting of the Company held on 10 May 2007 to purchase any of the ordinary shares of the Company.

The total number of shares in issue on 2 April 2008 was 139,064,434 shares. To provide maximum flexibility, the Directors wish to renew the authority to purchase shares for cancellation. A resolution authorising the Company to purchase up to 14.99% of the share capital in issue on 2 April 2008 will be proposed at the forthcoming Annual General Meeting for which notice is given on pages 80 to 81.

This authority will lapse at the conclusion of the Company's Annual General Meeting in 2009, unless revoked or varied earlier.

As at 2 April 2008, the Company held no shares in treasury. Accordingly, the percentage figures in this and other sections of the report are all calculated exclusive of treasury shares.

The total number of options and performance shares to subscribe for ordinary shares outstanding at 2 April 2008 was 10,364,217, which represented approximately 7.5% of the issued ordinary share capital at that date. If the Company were to purchase the maximum number of ordinary shares permitted by this resolution and by the existing buy-back authority given on 10 May 2007 (for 20,808,187 shares) then the options and performance shares outstanding at 2 April 2008 would represent approximately 10.6% of the issued ordinary share capital. However, the Directors do not presently intend to exercise the existing authority prior to its expiry on 7 May 2008.

Issue of new shares

At the Annual General Meeting of the Company held on 10 May 2007, the Directors were given powers (in substitution for the powers taken at the Annual General Meeting of the Company in April 2006) to allot relevant securities as if the pre-emption provisions in Section 89(1) of the Companies Act 1985 did not apply. A total of 254,297 shares were issued during the year in connection with the Company's Executive Share Option Plan and no further shares were issued after the year end. The Directors wish to renew these powers at the forthcoming Annual General Meeting. Therefore, Resolutions 10 and 11 (set out in the notice of the Annual General Meeting on pages 80 to 81) will be proposed at the Annual General Meeting.

If passed, Resolution 10 will give the Directors the power to allot relevant securities up to an aggregate nominal amount of (a) £1,390,644 (equivalent to 1% of the Company's issued ordinary share capital as at 2 April 2008) in connection with the Company's Executive Share Option Plan and the SVG Capital 2007 Performance Share Plan; and (b) £46,354,811 (equivalent to one-third of the Company's issued ordinary share capital as at 2 April 2008).

If passed, Resolution 11 will give the Directors the power to allot equity securities as if the pre-emption provisions in Section 89(1) of the Companies Act 1985 did not apply (a) up to an aggregate nominal amount of £1,390,644 (equivalent to 1% of the Company's issued ordinary share capital as at 2 April 2008) in connection with the Company's Executive Share Option Plan 2001 and the SVG Capital 2007 Performance Share Plan; (b) pursuant to rights issues and other pre-emptive issues; and (c) up to an aggregate nominal amount of £13,906,443 (equivalent to 10% of the Company's issued ordinary share capital as at 2 April 2008).

The Directors are seeking the authority referred to in paragraph (c) of Resolution 11 in order to provide flexibility in raising monies to take advantage of opportunities arising through the launch of new funds, and for general corporate purposes. It is the intention of the Board that any equity securities allotted under this authority will be allotted at an effective premium to the estimated net asset value per ordinary share at the date of pricing of the issue of the relevant equity securities. The Directors intend to exercise the authority referred to in paragraph (b) of Resolution 11 generally to issue relevant securities whenever they believe it is advantageous to shareholders to do so.

The Directors intend to exercise the authority referred to in paragraph (a) of Resolution 10 and paragraph (a) of Resolution 11 to grant options under part D of the Company's Executive Share Option Plan 2001 and the SVG Capital 2007 Performance Share Plan to individuals seconded to the Company or its subsidiaries (which, for this purpose, include joint ventures). Options granted pursuant to this authority will nevertheless count towards limits on the number of new ordinary shares that may be issued pursuant to the exercise of options.

The authorities proposed to be taken under Resolutions 10 and 11 will lapse at the conclusion of the Company's Annual General Meeting in 2009, unless renewed, revoked or varied earlier.

Directors

In accordance with the Company's Articles of Association, Damon Buffini, Nicholas Ferguson, Francis Finlay and Edgar Koning will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Anthony Habgood and Edgar Koning also retire in accordance with the Company's policy on tenure outlined on page 39.

The Board supports the re-elections of Damon Buffini, Nicholas Ferguson, Francis Finlay, Anthony Habgood and Edgar Koning, who continue to demonstrate commitment to their roles and provide valuable contributions to the deliberations of the Board and its Committees.

Anthony Habgood and Edgar Koning have served as non-executive Directors of the Company for more than nine years. They are considered to be independent in both character and judgement.

Biographical details of all current Directors may be found on pages 28 and 29.

The Directors do not have service contracts with the Company. However, Andrew Williams, who is employed by Schroder Investment Management Limited, is seconded to SVG Advisers Limited ('SVGA'). As part of the secondment arrangements, SVGA will reimburse Schroder Investment Management Limited for the salary, bonus and other benefits paid by Schroder Investment Management Limited to Andrew Williams.

The Directors of the Company and their beneficial and family interests in the Company's share capital during the year to 31 December 2007 are given below:

	Ordinary shares of £1.00 each	
	At 31 December 2007	At 1 January 2007
Beneficial		
Nicholas Ferguson*	566,507	551,507
Damon Buffini**	6,000,000	6,000,000
Francis Finlay	125,000	100,000
Anthony Habgood	80,666	66,666
Edgar Koning	40,000	Nil
Denis Raeburn	164,166	164,166
Charles Sinclair	67,062	67,062
Gary Steinberg	Nil	Nil
Andrew Williams*	13,091	13,091
Non-beneficial		
Nicholas Ferguson	52,900	42,900
Anthony Habgood	12,500	12,500
Charles Sinclair	Nil	8,333

* In addition, Nicholas Ferguson and Andrew Williams have options over ordinary shares, details of which are given on page 36. Andrew Williams also has awards over ordinary shares under the Performance Share Plan, details of which are given on page 37.

** Damon Buffini has an interest in 6 million SVG Capital shares since he has an interest in Permira Holdings Limited, the parent of Permira Capital Limited which owns 6 million SVG Capital shares. Further, Permira Holdings Limited is a party to an operating agreement with the Company dated 21 March 2005 (more particularly described in a Circular to shareholders dated 24 March 2005) pursuant to which (a) SVG Capital Group has committed to be the major investor in future funds designed, managed or advised by entities in the Permira Group and during the term of that agreement is entitled to access to such funds; and (b) SVG Capital Group has agreed not to commit to any private equity fund or product for direct investment, other than agreed commitments to other private equity funds and Japan funds, which are not designed, managed or advised by entities in the Permira Group. As a result of Mr Buffini's interest in the Permira entities described above, Mr Buffini will not participate in any decisions relating to commitments made, or which may be made, by SVG Capital Group to any funds or products designed, managed or advised by entities in the Permira Group.

There had been no changes in the above holdings up until 2 April 2008.

Nicholas Ferguson and members of his family and Andrew Williams have an interest in the carried interest in respect of certain private equity funds. Nicholas Ferguson and Andrew Williams have foregone a portion of their entitlement to carried interest on existing private equity funds and any entitlement they may have to carried interest on Permira or Schroder Ventures' funds launched after 2001 in return for share options granted by the Company under the Executive Share Option Plan. Nicholas Ferguson will receive no further options following his retirement from an executive role in April 2005. Nicholas Ferguson and Andrew Williams also participate in the Schroder Ventures Co-Investment Scheme and Schroder Ventures Investments Limited. They have received no new carried interest allocations and made no new commitments since they joined SVG Capital plc in 2001.

Damon Buffini is Managing Partner of Permira. As more particularly described in a Circular to shareholders dated 24 March 2005, Permira entered into an operating agreement with the Company under which, for the life of the operating agreement, and subject to agreement on terms, due diligence and Board approval, (a) the SVG Capital Group will be a major investor in future Permira Funds and will be entitled to full access to such funds; and (b) SVG Capital Group will not commit to any non-Permira private equity fund or product for direct investment other than agreed commitments to other private equity funds and Japan funds. Mr Buffini will not participate in any decisions relating to commitments made, or which may be made, by the SVG Capital Group to any Permira funds or Permira products.

No other Director has any material interest in any other contract that is significant to the Company's business.

Report of the Directors continued

Directors' and officers' liability insurance

During the year the Company maintained cover for its Directors and Officers, under a directors' and officers' liability insurance policy.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the Company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, and in accordance with IAS 10, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

Ernst & Young LLP have expressed their willingness to remain in office and a resolution to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditor provides non-audit services to the Group, details of which are set out in note 4 on page 58. The Audit Committee has adopted a pre-approval policy on the engagement of the Auditors to supply non-audit services to the Group. It is not considered that the independence of the Auditors has been prejudiced by the provision of non-audit services. Terms of Reference of the Audit Committee may be found on page 42.

Provision of information to auditors

As far as the Directors are aware there is no relevant audit information of which the auditors are unaware and they have taken all steps they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial instruments

The main financial risks faced by the Company and the Group, and the management of those risks, are set out in the Business Review on pages 22 and 23 and in note 31 on pages 76 to 78.

Substantial share interests

As at the date of this report, the Company has received notifications in accordance with the FSA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

Voting rights attached to shares

	Number of ordinary shares	Percentage of total voting rights
AEGON Investment Management BV	24,603,665	17.69
Schroders plc and its subsidiaries:		
– non beneficial, managed for clients	15,037,704	10.81
– beneficial	7,113,449	5.12
Aviva plc	9,757,278	7.02
Blackrock Investment Management UK Ltd	6,926,324	4.98
Permira Capital Limited	6,000,000	4.31
Legal & General	5,597,724	4.03

By order of the Board

Schroder Investment Management Limited
Company Secretary
2 April 2008

Registered Number: 3066856

Registered Office: 31 Gresham Street, London EC2V 7QA

Remuneration report for the year ended 31 December 2007

Introduction

This report deals with the remuneration paid to the Directors for the year ended 31 December 2007 including the Company's executive Director, Andrew Williams. It also addresses the policy for future remuneration of the Directors.

This report has been prepared in accordance with schedule 7A to the Companies Act 1985 as inserted by the Directors' Remuneration regulations 2002 and the Listing Rules of the Financial Services Authority and a resolution to approve this report will be put to shareholders at the Annual General Meeting.

The Remuneration Committee (the "Committee")

The Committee's members during the year were Francis Finlay (Chairman), Anthony Habgood, Denis Raeburn and Gary Steinberg (appointed 14 March 2007), all considered by the Board to be independent non-executive Directors.

The Committee meets at least twice a year and invites selected executives and advisers to attend as appropriate. None of the executives invited to attend during the year participated in discussions or decisions regarding their own remuneration. Mr Finlay and Mr Habgood attended the meeting held in February 2007, Mr Finlay and Mr Raeburn attended the meeting held in May 2007 and Mr Finlay, Mr Habgood, Mr Raeburn and Mr Steinberg attended the meeting held in December 2007.

The Committee is responsible for determining the remuneration policy throughout the SVG Group and the operation of the Company's Executive Share Incentive Plans, further details of which are described below. Its terms of reference take into account the provisions of the Combined Code on corporate governance. The Committee has appointed New Bridge Street Consultants LLP and Towers Perrin, independent remuneration consultants, to advise it. New Bridge Street Consultants LLP also provides advice on the operation of the Company's share schemes.

The terms of reference of the Committee are set out on page 44.

Appointment, re-appointment and re-election of Directors

All Directors are appointed for an initial term of three years subject to election at the first Annual General Meeting following their appointment. Thereafter Directors retire by rotation at least every three years. The Chairman meets with each Director before a Director is proposed for re-election, and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for that Director to seek an additional term. When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the Combined Code, including the need to refresh the Board and its committees.

Policy on the remuneration of non-executive Directors

Remuneration paid to non-executive Directors is determined by the Board and reviewed each year. When considering remuneration levels, the Board will consider, amongst other things, industry practice and contribution to various committees and time spent on the business of the Company.

Policy on the remuneration of executive Directors

The Committee's aim is to ensure that remuneration packages should attract, retain and motivate senior executives (including executive Directors) but should avoid paying more than is necessary for this purpose. Basic salaries are set on this basis and the Committee has due regard to competitive market data on similar positions in other private equity organisations and financial institutions (this is provided by Towers Perrin). The Committee is sensitive to wider issues including pay and employment conditions in the Group when setting pay levels. No executive Director of the Company is involved in deciding his own remuneration.

Andrew Williams is the only executive Director of the Company. The Committee's policy is that performance-related elements of remuneration form a significant proportion of the total remuneration package.

At the 2007 AGM the Company's shareholders approved the rules of the SVG Capital 2007 Performance Share Plan (the 'Performance Share Plan' or 'PSP') and the SVG Capital Share Incentive Plan (the 'SIP'). The grant of options under the Company's Executive Share Option Plan 2001 (the '2001 ESOP') was suspended following the approval and adoption of the PSP, further details of which and awards granted under it are set out below. The SIP is an HM Revenue & Customs approved all-employee plan; however, no awards were made under the SIP in 2007. The Committee will review whether or not to implement and make awards under the SIP in 2008.

The basic salary of executive Directors is reviewed annually, having regard to individual performance and comparative market data. In addition, they are eligible for a non-pensionable discretionary bonus, which is conditional on Group performance and the achievement of predetermined personal objectives based on the successful implementation of the business plan and strategies agreed by the Board. The normal maximum annual bonus for an executive Director has been set at 300% of salary. The bonus limit of 300% will also apply in respect of the current financial year.

Benefits in kind (which are not pensionable) relate to the provision of health insurance and life assurance cover.

External appointments

The Company permits executive Directors of the Company to accept limited non-executive directorships and other similar appointments, it being recognised that such appointments increase their commercial knowledge and business experience to the general benefit of the Company. Fees earned from such directorships may be retained by the executive Directors.

Andrew Williams was, throughout the year, a non-executive Director of CDC Group plc. Directors' fees of £26,000 for this appointment are retained by Mr Williams.

Service contracts

The Directors do not have service contracts with the Company. Andrew Williams, the only executive Director, is employed by Schroder Investment Management Limited ('SIM') and is seconded to the Group. His contract with SIM provides for three months' notice and does not include liquidated damages provisions.

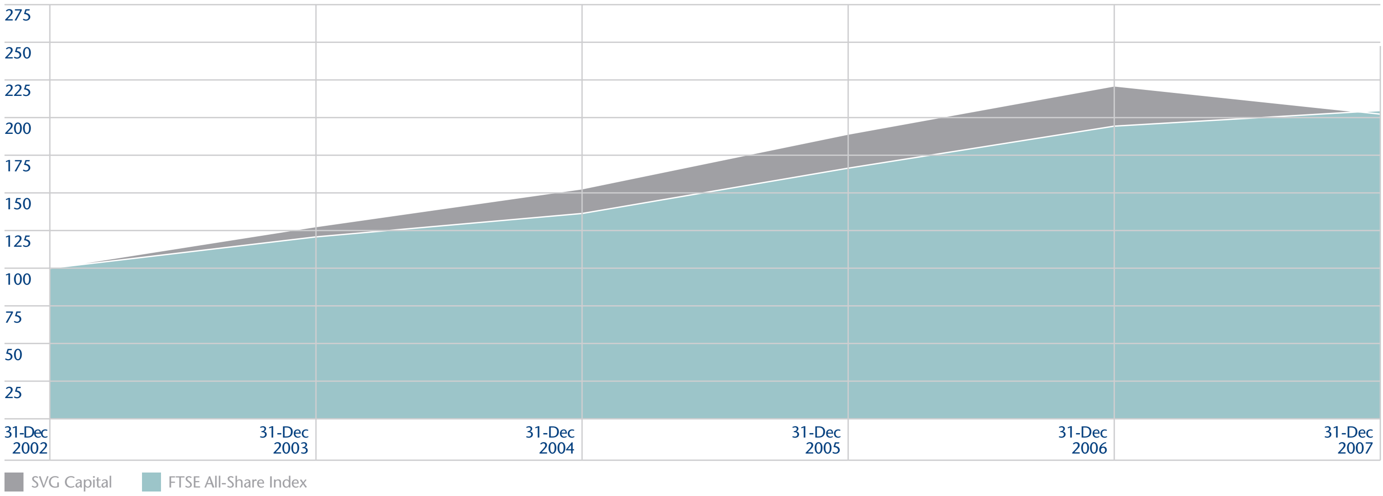
Mr Williams' contract with SIM is dated 1 March 2004. It is the Company's policy to have regard to the duty of a departing executive Director to mitigate his loss when determining the level of any termination payment.

Remuneration report continued

Performance graph

The Companies Act 1985 requires this report to include a performance graph comparing the Company's total shareholder return performance against that of a broad equity market index. For this purpose, the Committee has decided that the FTSE All-Share Index is the most appropriate available index for comparative purposes because it is the principal index in which the Company's shares are quoted.

Total shareholder return



Source: Datastream

This graph looks at the value, by the end of 2007, of £100 invested in SVG Capital on 31 December 2002 compared with the value of £100 invested in the FTSE All-Share Total Return Index. The other points plotted are the values at intermediate financial year ends.

Pension arrangements

The following figures, prepared in accordance with UK legislation and the Listing Rules of the Financial Services Authority, apply to Andrew Williams (who was a member of Schroder's Retirement Benefits Scheme) in respect of the year ended 31 December 2007, during which he was an executive Director of the Company. No pension contributions are payable by Mr Williams.

Executive Directors' pensions*

	Accrued benefit at 31 December 2006 £'000	Increase in accrued benefit due to inflation £'000	Increase in accrued benefit due to other factors £'000	Accrued benefit at 31 December 2007 £'000	Transfer value at 31 December 2006 £'000	Increase in transfer value net of director's contributions £'000	Transfer value at 31 December 2007 £000	Transfer value at 31 December 2007 in respect of increase in accrued benefit (excluding inflation) £'000
A C Williams	108	4	1	113	1,858	134	1,992	8

* This forms part of the audited section of the Remuneration Report.

Transfer values are liabilities of the relevant pension fund rather than amounts due to be paid to the executive Directors or liabilities of the Company.

Directors' remuneration*

The emoluments of the Directors in respect of the year ended 31 December 2007 were as specified below:

	Salary & fees £'000	Benefits in kind £'000	Annual bonus[§] £'000	Total emoluments Year to 31 December 2007 £'000	Total emoluments Year to 31 December 2006 £'000
N E H Ferguson	200	–	–	200	180
A C Williams	321	1	850	1,172	1,008
D Buffini	33	–	–	33	25
F Finlay	43	–	–	43	36
A J Habgood	44	–	–	44	36
E W Koning	29	–	–	29	23
D Raeburn	44	–	–	44	36
C Sinclair	44	–	–	44	36
G Steinberg	35	–	–	35	–
Aggregate emoluments	793	1	850	1,644	1,380

* This forms part of the audited section of the Remuneration Report.

§ Bonuses include provision for amounts accrued but not paid in each year. Annual bonuses are awarded in respect of calendar years.

Details of the Directors' interests in shares are shown on page 31.

Executive Share Incentive Plans

The Performance Share Plan ("PSP")

Mr Williams, the only executive Director of the Company and selected employees of, and secondees to, the SVG Group are eligible to participate in the PSP at the discretion of the Committee. Awards may not be made to non-executive Directors. The PSP enables annual conditional free shares to be made (or nil or nominal cost options) with a 'value' worth up to an annual limit of 200% of base salary and bonus in any financial year. For the purposes of calculating these limits the maximum amount of bonus which may be used is capped at 300% of base salary and the value of an award shall be calculated and, if necessary, adjusted to take into account the total exercise cost (if any) payable by an award holder on exercise (e.g. the £1 per share in respect of awards granted to A.C. Williams) and any employer's secondary National Insurance contributions (or overseas equivalent) that may have been transferred to the award holder.

The policy on granting awards under the PSP is intended to be broadly the same as under the Executive Share Option Plan, with the same limit applying to the value of shares that may be awarded in any one year.

The vesting of awards made to the executive Director during the year was based on the growth in the Company's undiluted Net Asset Value per Share ("NAV") over four financial years, commencing with the financial year in which the award was made. For the purposes of the PSP, NAV will include the Directors' valuation of SVG Advisers Limited in accordance with the International Private Equity and Venture Capital Association guidelines. Awards made to the executive Director will normally vest on the fourth anniversary of the award being granted provided that he is a director or employee within the SVG Group on that date and to the extent that the NAV performance condition has been satisfied, as follows:

NAV growth over four financial years

	Percentage of the total number of shares subject to the NAV condition that will vest
Less than 10% p.a.	Nil
10% p.a.	25%
18% p.a.	100%
Between 10% p.a. and 18% p.a.	Between 25% and 100% on a straight-line basis

Awards made to certain senior executives below main Board level were granted subject to the satisfaction of the NAV performance conditions described above or a condition requiring the achievement of significant growth targets in the gross value of SVG Advisers Limited at the end of three financial years.

Remuneration report continued

It is intended that awards made to the executive Director, and a proportion of the awards made to certain senior executives below main Board level, in 2008 will be granted subject to the same NAV targets described above. In particular, the Committee continues to believe that, in respect of awards granted to the executive Director and certain other senior executives below main Board level, growth in NAV remains the most appropriate measure of long-term performance for a business focused on delivering superior levels of NAV growth and will, therefore, help align the interests of the executive Director and other executives of the Group with shareholder interests. Furthermore, the Committee believes that awards of performance shares, as opposed to market value share options, are currently the best form of long-term incentive, especially given the very demanding targets set for the delivery of shares as described above.

Awards to most of the executives below main Board level will, for the time being, continue to be based on the satisfaction of the NAV performance conditions or the achievement of growth targets in the gross value of SVG Advisers Limited.

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions have been satisfied at that time (or, in the reasonable opinion of the Committee (as constituted before the relevant event), would have been satisfied had the relevant performance period run its full course); and (ii) will normally be subject to a time pro-rata adjustment to reflect the early curtailment of the applicable performance period.

The Committee may, in its discretion, permit awards to vest early in the event of a demerger, special dividend or other similar event which would affect the market price of shares to a material extent. In such circumstances awards will vest on the basis that would apply in the case of a takeover as described above.

The SVG Executive Share Option Plan 2001 (formerly known as the SVIIT Executive Share Option Plan 2001)

The PSP replaced the 2001 ESOP following the 2007 AGM. However, whilst the Committee does not intend to make further grants under the 2001 ESOP it has been retained for use in exceptional circumstances such as for the recruitment and retention of senior staff or to reward exceptional performance. Any grant of options under the 2001 ESOP will count towards the individual grant limits under the PSP and appropriately demanding performance targets will be set at the time of grant.

All-employee share plans

As mentioned previously the SIP was approved by shareholders at the 2007 AGM. The SIP is an all-employee share plan and will, on approval from HM Revenue & Customs, permit the Company to offer (i) Partnership Shares, whereby employees may buy shares using pre-tax pay (max contribution of £1,500 per tax year), (ii) Matching Shares, whereby employees who purchase Partnership Shares may receive matching shares worth up to £3,000 per tax year, and (iii) Free Shares, worth up to £3,000 per tax year. No awards were made under the SIP in 2007; however, the Committee intends to consider making awards under the SIP in the future.

Options held by Directors over ordinary shares of the Company*

The following Directors have been granted options over ordinary shares under the Executive Share Option Plan:

		During the year					Exercise dates†	
	At 31 December 2006	Options granted	Options exercised	Options lapsed	At 31 December 2007	Exercise price (pence)	Earliest	Latest
N E H Ferguson**	715,446	–	–	–	715,446	410.00	21 June 2004§	20 June 2011
	357,724	–	–	–	357,724	410.00	21 June 2005§	20 June 2011
	404,484	–	–	–	404,484	334.50	5 April 2005§	4 April 2012
	349,840	–	–	–	349,840	392.75	13 March 2006§	12 March 2013
	363,256	–	–	–	363,256	479.00	12 March 2007§	11 March 2014
	250,704	–	–	–	250,704	564.00	23 March 2008§	22 March 2015
A C Williams	373,983	–	130,000	–	243,983	410.00	21 June 2004§	20 June 2011
	186,992	–	–	–	186,992	410.00	21 June 2005§	20 June 2011
	272,645	–	–	–	272,645	334.50	5 April 2005§	4 April 2012
	239,847	–	–	–	239,847	392.75	13 March 2006§	12 March 2013
	248,851	–	–	–	248,851	479.00	12 March 2007§	11 March 2014
	242,957	–	–	–	242,957	564.00	23 March 2008§	22 March 2015
	178,313	–	–	–	178,313	831.40	24 March 2009	24 March 2016
Total	4,185,042	–	130,000	–	4,055,042			

* This forms part of the audited section of the Remuneration Report.

** Options granted to Nicholas Ferguson were made at a time when he was the executive Director of the Company.

† Options are exercisable subject to the satisfaction of performance conditions (see below).

§ Performance conditions have been met.

For options granted in 2006, the target is for growth in the Company's net asset value per ordinary share to exceed the growth in the Retail Prices Index plus 4% per annum over the three years from the date of grant. If the performance target is not satisfied on the third anniversary of the date of grant it will lapse (i.e. there will be no retesting of this performance condition). For all options granted up to the end of March 2005, performance targets have been met.

The price of an ordinary share on 1 November 2007 when Mr Williams exercised his options was 886p. The aggregate gain before tax made by Mr Williams on the exercise of his options was £592,800 (2006: n/a).

All of the above options were granted for nil consideration. All options under the 2001 ESOP were granted at the prevailing market price around the time of grant.

Awards held by Directors over ordinary shares of the Company under the PSP*

		During the year					Vesting dates†	
	At 31 December 2006	Options granted	Awards vested	Awards lapsed	At 31 December 2007	Exercise price per share (pence)	Earliest	Latest
A C Williams	-	229,848	-	-	229,848	100.00	15 May 2011	15 May 2017

* This forms part of the audited section of the Remuneration Report.

† Awards will vest and become exercisable subject to the satisfaction of performance conditions (details summarised in the section headed "Performance Share Plan" above).

The price of an ordinary share on 15 May 2007, when awards were granted under the PSP, was 921.5p.

The mid-market price of shares at 31 December 2007 was 757.5p and the range during the year was 757.5p to 944.0p.

External advisers will confirm the performance criteria calculations for the Committee, which will be measured on a consistent basis.

Share Plan Dilution Limits

It is currently intended that all awards granted under the PSP will be satisfied using new issue shares. All options and awards granted under the 2001 ESOP and PSP to persons seconded to the Group have been structured as nominal cost options and will be satisfied using new issue shares.

In any ten calendar year period the Company may not issue (or grant rights to issue) more than 10 per cent of the issued ordinary share capital of the Company under the PSP, the 2001 ESOP and any other employees' share scheme adopted by the Company. As at 31 December 2007, the total number of shares issued or issuable under awards and options made under the PSP and the 2001 ESOP was equal to 6.9% of the issued ordinary share capital on that date.

The Company has established an employee benefit trust to enable it to subscribe for or purchase shares in the market to satisfy awards and options made to employees under the PSP and the 2001 ESOP. As at 31 December 2007 no shares were held in the trust. The Board will regularly review the benefit of using the trust to make market purchases.

On behalf of the Board

Francis Finlay
Chairman, Remuneration Committee
2 April 2008

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors';
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. 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.

The Directors believe that they have complied with these responsibilities.

The accounts are published on the www.svgcapital.com website, which is a website maintained by SVG Advisers Limited ('SVGA'), a wholly owned subsidiary of the Company. The maintenance and integrity of this website is the responsibility of SVGA.

The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts shown on the websites from this published Report and Accounts. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Corporate governance

The Company is committed to high standards of corporate governance. The UK Listing Authority requires all listed companies to disclose how they have applied the principles of, and complied with, the provisions of the Combined Code on corporate governance published in 2006 by the Financial Reporting Council (the "Code").

Application of Code principles

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the Code.

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, decides on individual fund investments and considers the future strategic direction of the Company. The Board is responsible for presenting a balanced and understandable assessment of the Company's position and, where appropriate, future prospects in annual and half-yearly reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate.

A procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company has been agreed.

Composition and independence

The Board currently consists of one executive and eight non-executive Directors, including the Chairman. Profiles of each of the Directors, including age and length of service, may be found on pages 28 and 29. The Board considers each of Francis Finlay, Anthony Habgood, Edgar Koning, Denis Raeburn, Charles Sinclair and Gary Steinberg to be independent. The independence of each Director is considered on a continuing basis.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Board is satisfied that it is of sufficient size, with an appropriate balance of skills and experience, and that no individual or group of individuals is or has been in a position to dominate decision making.

The role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Senior Independent Director

Anthony Habgood was appointed as Senior Independent Director with effect from 1 December 2004. The Senior Independent Director leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman. As part of the evaluation process, the non-executive Directors meet without the Chairman being present, and the Senior Independent Director chairs these meetings.

Company Secretary

The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, inter alia, for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Tenure

The Directors have adopted a policy on tenure that they consider appropriate for the Company as a self-managed investment trust. The Board does not believe that length of service, by itself, leads to a closer relationship with Executive Management. The independence of non-executive Directors will continue to be assessed on a case-by-case basis. In order to allow shareholders the opportunity to endorse this policy, however, any non-executive Director who has served for more than nine years will be subject to annual re-election at the Annual General Meeting.

Induction and training

When a Director is appointed he or she receives a full, formal and tailored induction. Changes affecting Directors' responsibilities are advised to the Board as they arise.

Advisers to the Company also prepare reports for the Board from time to time. In addition, Directors may attend ad hoc seminars covering issues and developments relevant to the Company.

Performance evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation was completed in March 2008. The evaluation is in two stages. First, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Senior Independent Director. Evaluation is conducted utilising a questionnaire. Secondly, the Board evaluates its own performance and that of its Committees. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

Corporate governance continued

Meetings

The Board held five scheduled meetings during 2007. Additional meetings were also arranged as required.

Attendance at the five scheduled meetings was as set out below:

Director	Meetings attended	Maximum possible attendance
Nicholas Ferguson	5	5
Damon Buffini	4	5
Francis Finlay	5	5
Anthony Habgood	5	5
Edgar Koning	2	5
Denis Raeburn	5	5
Charles Sinclair	5	5
Gary Steinberg	5	5
Andrew Williams	4	5

The Board is satisfied that each of the Chairman and the other non-executive Directors commit sufficient time to the affairs of the Company to fulfil their duties as Directors.

Information flows

Management reports to the Board on at least a quarterly basis and as appropriate on specific matters. The Chairman ensures that Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from its advisers and ad hoc reports and information are supplied to the Board as required.

Committees

The Board has delegated certain responsibilities and functions to committees. Terms of Reference, as well as details of membership and activities for all Committees of the Board, are set out on the following pages. The Board keeps under review the composition of each of its Committees to ensure that undue reliance is not placed on particular individuals.

Relations with shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, the Senior Independent Director and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board also receives feedback on the views of shareholders from its corporate broker.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report and Accounts is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting, which is normally attended by the full Board of Directors. Proceedings include a presentation on the activities of the Company. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Remuneration Committees. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and on the Company's website as soon as reasonably practicable after the meeting. The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end is valuable. The Notice of Meeting on pages 80 and 81 sets out the business of the meeting.

Internal control

The Code requires the Board to at least annually conduct a review of the adequacy of the Group's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors, as revised in October 2005 (the 'Turnbull Guidance') under which the Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis.

The Board believes that the key risks identified and the implementation of an ongoing system to identify, evaluate and manage these risks are based upon and relevant to the Group's business as an investment trust. The ongoing risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control (including whistleblowing polices where appropriate) adopted by major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Group's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report from the Board's continuing risk assessment.

Although the Board believes that it has a robust framework of internal control in place this can only provide reasonable and not absolute assurance against material financial mis-statement or loss and is designed to manage, not eliminate, risk.

During the year, Deloitte & Touche LLP reviewed the Company's risk profile and their findings were reported to the Audit Committee.

Corporate Social Responsibility

Introduction

SVG Capital's long-term business success requires effective management of both financial and non-financial performance. Our business relies in particular on strong relationships with our employees, our investors, and the general partners of the funds in which we invest.

Although we are a major investor in private equity funds, regulations and commercial realities limit the degree to which we can have an active influence on those funds. We aim to develop open, long-term relationships with the general partners with whom we invest. Nonetheless we do engage with general partners to identify where non-financial issues may have an impact on our reputation and on that of our investors. We also engage with relevant industry associations and other initiatives to help raise awareness and understanding of these issues, both within and outside the sector.

The Group employs almost 70 people based in two offices in London and Boston. As a financial services firm, the environmental and social impact of our activities is low. However, we are looking at ways to reduce this environmental impact, and to support local communities. We recognise the mutual benefits that can arise from doing so in a consistent way.

The Group has an effective risk management process and excellent corporate governance, so has the necessary foundation for building non-financial and corporate responsibility procedures formally into our strategic planning. The Group's Corporate Social Responsibility (CSR) Policy is being formalised and the overall responsibility for its implementation will rest with the Board, working with relevant corporate functions, including a CSR committee chaired by Nicholas Ferguson.

In formalising the CSR policy, the Board's strategic priorities are:

Employees

Our objective is to recruit, train and retain the highest calibre employees, and to foster a work environment that helps them to fulfil their potential. To do this we aim to:

- provide a supportive work environment and corporate culture
- provide appropriate training and development
- address where possible employees' interests regarding environmental, social and governance issues

Investors

Our objective is to ensure that our operations address investors' policies relating to environmental, social and governance issues. To do this we aim to:

- maintain a high standard of corporate governance
- respond to investors' environmental, social and governance concerns as they relate to our own operations
- give full consideration to investors' concerns as they relate to our investment activities

Funds in which we invest

Our objective is to develop strong relationships, balancing the legitimate needs of the general partners of the funds in which we invest with our interests and the expectations of our investors. We aim to do this by:

- ensuring the highest levels of integrity in our relationships with general partners
- developing strong and open working relationships with general partners, so that we can maintain trust without unnecessary restrictions and unrealistic requests
- undertaking early and constructive engagement on environmental, social and governance issues of legitimate concern to our investors

Making a difference where we can

Communities

Our objectives are to support our employees' volunteering and charitable donations through a matched giving scheme and to support communities by providing charitable donations from the Group. The CSR committee has responsibility for the implementation of the charitable donations policy which is focused on:

- creating opportunity
- providing access to education
- protecting the environment

Environment

Our objective is to reduce the most significant environmental impact of our operations. We aim to do this by:

- undertaking a carbon footprint analysis
- reducing the impact of our travel and energy use
- disposing of office waste and used equipment in a responsible manner

Engagement with the sector

Our objective is to engage in debates on the role and impact of private equity. We aim to do this by:

- working with relevant sector associations
- participation in other relevant initiatives
- engaging in discussions with stakeholders

Board committees

Audit Committee

The members of the Committee as at 31 December 2007 were:

Charles Sinclair (Chairman)

Anthony Habgood

Denis Raeburn

Gary Steinberg (appointed 14 March 2007)

The Board considers each member of the Committee to be independent. The Board also considers that the Chairman of the Committee has recent and relevant financial experience.

Terms of reference

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. A copy of the full terms of reference of the Audit Committee is available on request from the Company Secretary.

The responsibilities of the Committee include the following:

Financial statements

(a) to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, including reviewing significant financial reporting judgements contained in such financial statements or formal announcements;

(b) to review and, if appropriate, recommend to the Board the Company's annual and interim reports.

Internal control

(c) to monitor and review annually whether an internal audit function is required;

(d) to monitor the Company's accounting and financial internal control systems, and to monitor the internal control systems of subsidiaries and to make recommendations on any improvements to such systems;

(e) to monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and the Company's relationship with the relevant regulatory authorities;

External audit and relationship with the external auditor

(f) to oversee and discuss any matters arising from any services provided to the Company by the auditors, including the audit, and to discuss any recommendations made by the auditors, and to serve as the entity to which the auditors report directly;

(g) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

(h) to determine the appropriate funding, to be provided by the Company, for payment of compensation to the auditors and any independent counsel or other advisers employed by the Committee, and payment of the ordinary administrative expenses of the Committee;

(i) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

(j) to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and to report to the Board on any matters in respect of which the Committee considers that action or improvement is needed and to make recommendations as to the steps to be taken;

(k) to consider other topics, as requested and defined by the Board; and

(l) to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and procedures for the confidential, anonymous submission by employees of the Company of concerns regarding the same matters.

Report on the Committee's activities

To discharge its duties, the Committee met on two occasions during 2007 and considered the following:

- the annual financial statements for 2006 and interim financial statements for 2007;
- the external auditors' interim and planning board report and year end reports and management letters;
- the effectiveness of the audit process;
- the independence and objectivity of the external auditor;
- pre-approval of non-audit services; and
- the risk profile of the Group.

The Committee has also reviewed arrangements for staff of subsidiaries to raise concerns about possible improprieties relating to the Group's operations.

Attendance at committee meetings

Each of the meetings held during 2007 were attended by all members of the Committee.

Investment Committee

The members of the Committee as at 31 December 2007 were:

Nicholas Ferguson (Chairman)

Francis Finlay

Anthony Habgood

Edgar Koning

Denis Raeburn

Charles Sinclair

Gary Steinberg (appointed 14 March 2007)

Andrew Williams

Terms of reference

A copy of the full terms of reference of the Investment Committee is available on request from the Company Secretary.

The responsibilities of the Committee include the following:

- to review investment proposals for the Company;
- to provide investment recommendations to the Board; and
- to implement the Board's decision as regards to any investment.

Report on the Committee's activities

To discharge its duties, the Committee considered various investment proposals during 2007.

Attendance at committee meetings

Committee meetings are held during adjournments of Board meetings.

Nominations Committee

The members of the Committee as at 31 December 2007 were:

Nicholas Ferguson (Chairman)

Damon Buffini

Francis Finlay

Anthony Habgood

Edgar Koning

Denis Raeburn

The Board considers a majority of the members of the Committee to be independent.

Terms of reference

The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board. A copy of the full terms of reference of the Nominations Committee is available on request from the Company Secretary.

The responsibilities of the Committee include the following:

(a) to evaluate the balance of skills, knowledge and experience of the Board of Directors and to prepare a description of the role and capabilities required for a particular appointment. In the case of the appointment of a Chairman, to prepare a job specification;

(b) to select potential candidates to fill vacancies on the Board of Directors for recommendation to the Board;

(c) to interview, or arrange for suitable Directors to interview, candidates for Directors;

(d) to consider and, if appropriate, approve all outside appointments of executive Directors;

(e) to review periodically the terms of appointment of the non-executive Directors; and

(f) to consider whether a Senior Independent Director should be appointed and, if appropriate, to identify and recommend to the Board suitable candidates for the role.

A formal procedure for the appointment of new Directors is contained in the Terms of Reference of the Committee.

Report on the Committee's activities

The Committee did not have occasion to meet during 2007.

Board committees continued

Remuneration Committee

The members of the Committee as at 31 December 2007 were:

Francis Finlay (Chairman)

Anthony Habgood

Denis Raeburn

Gary Steinberg (appointed 14 March 2007)

The Board considers each member of the Committee to be independent.

Terms of reference

The role of the Committee is to determine remuneration policy throughout the SVG Group and to operate the Company's Share Awards Schemes. A copy of the terms of reference of the Remuneration Committee is available on request from the Company Secretary.

The responsibilities of the Committee include the following:

(a) to determine remuneration policy (including salaries, bonuses, pensions and other benefits) throughout the SVG Group, including:

- (i) to recommend to the Board the remuneration and benefits of the CEO of SVG and, from time to time, to review the terms of the CEO's service agreement;
- (ii) to review the overall remuneration costs and budgets for employees of the SVG Group;
- (iii) to approve annual bonus plans and to review performance against objectives;
- (iv) to make proposals for the level of fees payable to non-executive Directors; and
- (v) to approve exit packages on an individual basis and to oversee severance policy throughout the SVG Group.

(b) to operate the Company's share award schemes (currently the SVG Executive Share Option Plan 2001, the SVG Capital 2007 Performance Share Plan (Parts A & B) and the SVG Capital Share Incentive Plan) and other incentive schemes (if any), including:

- (i) to determine grants of awards to be made to the CEO of SVG and other eligible participants, including the setting of any performance targets to be met as a condition of the exercise of such awards;
- (ii) to liaise with the trustees of the employee trusts operating in conjunction with the Company's share award schemes and other incentive schemes (if any);
- (iii) to make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment); and
- (iv) to agree, amend and approve all documents required in connection with the grant of awards under, or the operations of, the Company's share award schemes, employee trusts and other incentive schemes (if any), and to sign, execute or authorise the signature or execution of all such documents by any Director or the Company Secretary, or where any documents are to be executed as a deed, by any two Directors or any one Director and the Company Secretary.

Report on the Committee's activities

To discharge its duties, the Committee met on three occasions during 2007 and considered the following:

- evaluation of remuneration philosophy and the structure of incentivisation and retention of executive Directors and key staff;
- approval of the annual bonus proposals for recommendation to the Board;
- approval of appropriate targets and long-term incentives for the executive Directors and key staff based on performance;
- review of the Terms of Reference of the Committee;
- review of the operation of the Company's share award schemes and approval of grant of awards; and
- review of all aspects of remuneration within the SVG Capital Group with particular emphasis placed on long-term incentive provision.

Attendance

Mr Finlay and Mr Habgood attended the meeting held in February 2007, Mr Finlay and Mr Raeburn attended the meeting held in May 2007 and Mr Finlay, Mr Habgood, Mr Raeburn and Mr Steinberg attended the meeting held in December 2007.

Independent auditors' report to the shareholders of SVG Capital plc

We have audited the Group and parent Company financial statements (the "financial statements") of SVG Capital plc for the year ended 31 December 2007 which comprise the Consolidated and Company Income Statements, the Consolidated and Company Statements of Change in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable United Kingdom 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 and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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 review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Investment objective, Financial and operational highlights 2007, Chairman's statement, Chief Executive's review, Business review, Board of Directors, Report of the Directors, the unaudited part of the Remuneration Report, Corporate governance, Board Committees, Company Summary, Information for shareholders, Notice and Agenda, Advisers and the Glossary. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 and the part of the Remuneration Report to be audited. 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 Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material mis-statement, 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 and the part of the Remuneration Report to be audited.

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 Group's and the parent Company's affairs as at 31 December 2007 and of the Group's and the parent Company's profit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Director's Report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
London
2 April 2008

Consolidated income statement

	Notes	For the year ended 31 December 2007 Revenue return £'000	Capital return £'000	Total £'000	For the year ended 31 December 2006 Revenue return £'000	Capital return £'000	Total £'000
Gains on investments – at fair value through profit and loss		–	113,421	113,421	–	198,038	198,038
Exchange (losses)/gains on other items		42	17,459	17,501	(1)	(6,845)	(6,846)
		42	130,880	130,922	(1)	191,193	191,192
Operating income							
Investment income		27,754	–	27,754	28,168	–	28,168
Other operating income		32,112	–	32,112	21,539	–	21,539
Total operating income	3	59,866	–	59,866	49,707	–	49,707
Operating expenses							
Administrative expenses	4	(23,295)	–	(23,295)	(18,971)	–	(18,971)
Other operating expenses		–	(484)	(484)	–	(389)	(389)
Total expenses		(23,295)	(484)	(23,779)	(18,971)	(389)	(19,360)
Operating profit/(loss)		36,571	(484)	36,087	30,736	(389)	30,347
Finance costs	7	(13,633)	–	(13,633)	(6,300)	–	(6,300)
Profit before tax		22,980	130,396	153,376	24,435	190,804	215,239
Tax	9	(2,002)	729	(1,273)	(2,413)	(737)	(3,150)
Profit for the period		20,978	131,125	152,103	22,022	190,067	212,089
Attributable to:							
Equity holders of the parent	11	20,970	131,124	152,094	21,957	190,026	211,983
Minority interest		8	1	9	65	41	106
Earnings per share							
From continuing activities							
Basic	11			109.5p			158.0p
Diluted	11			106.2p			153.9p

The total column of this statement represents the Group's income statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The notes on pages 54 to 78 form an integral part of these accounts.

Company income statement

	Notes	For the year ended 31 December 2007 Revenue return £'000	Capital return £'000	Total £'000	For the year ended 31 December 2006 Revenue return £'000	Capital return £'000	Total £'000
Gains on investments – at fair value through profit and loss		–	112,236	112,236	–	197,214	197,214
Exchange gains/(losses) on other items		–	17,091	17,091	–	(6,683)	(6,683)
		–	129,327	129,327	–	190,531	190,531
Operating income							
Investment income		25,473	–	25,473	1,216	–	1,216
Other operating income		4,153	–	4,153	28,660	–	28,660
Total operating income	3	29,626	–	29,626	29,876	–	29,876
Operating expenses							
Administrative expenses	4	(9,408)	–	(9,408)	(6,510)	–	(6,510)
Other operating expenses		–	(484)	(484)	–	(389)	(389)
Total expenses		(9,408)	(484)	(9,892)	(6,510)	(389)	(6,899)
Operating profit/(loss)		20,218	(484)	19,734	23,366	(389)	22,977
Finance costs	7	(13,633)	–	(13,633)	(6,300)	–	(6,300)
Profit before tax		6,585	128,843	135,428	17,066	190,142	207,208
Tax	9	3,365	729	4,094	(2,215)	(885)	(3,100)
Profit for the period	11	9,950	129,572	139,522	14,851	189,257	204,108
Earnings per share							
From continuing activities							
Basic	11			100.5p			152.1p
Diluted	11			97.4p			148.2p

The total column of this statement represents the Group's income statement, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The notes on pages 54 to 78 form an integral part of these accounts.

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Revenue reserve £'000	Capital reserve £'000	P/L cash flow hedges £'000	Share option reserve £'000	Other reserves £'000	Total equity holders £'000	Minority interest £'000	Total equity £'000
For the year ended 31 December 2007										
Profit for the year	–	–	20,970	131,124	–	–	–	152,094	9	152,103
Dividends	–	–	(10,411)	–	–	–	–	(10,411)	(12)	(10,423)
Issue of performance shares	–	–	–	–	–	2,483	–	2,483	–	2,483
Tax on share options and performance shares	–	–	–	–	–	224	–	224	–	224
Issue of shares on exercise of options	254	844	–	–	–	–	–	1,098	–	1,098
Gain on interest rate swaps	–	–	–	–	33	–	–	33	–	33
Changes in equity for the year ended 31 December 2007	254	844	10,559	131,124	33	2,707	–	145,521	(3)	145,518
Balance at 31 December 2006	138,810	141,136	19,071	755,245	–	4,560	95,258	1,154,080	107	1,154,187
Balance at 31 December 2007	139,064	141,980	29,630	886,369	33	7,267	95,258	1,299,601	104	1,299,705
For the year ended 31 December 2006										
Profit for the year	–	–	21,957	190,026	–	–	–	211,983	106	212,089
Dividends	–	–	(3,985)	–	–	–	–	(3,985)	(641)	(4,626)
Issue of share options	–	–	–	–	–	1,885	–	1,885	–	1,885
Issue of shares on conversion of convertible bonds	10,208	38,792	–	–	–	–	(7,446)	41,554	–	41,554
Issue of shares on exercise of share options	72	214	–	–	–	–	–	286	–	286
Changes in equity for the year ended 31 December 2006	10,280	39,006	17,972	190,026	–	1,885	(7,446)	251,723	(535)	251,188
Balance at 31 December 2005	128,530	102,130	1,099	565,219	–	2,675	102,704	902,357	642	902,999
Balance at 31 December 2006	138,810	141,136	19,071	755,245	–	4,560	95,258	1,154,080	107	1,154,187

The notes on pages 54 to 78 form an integral part of these accounts.

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Revenue reserve £'000	Capital reserve £'000	P/L on cash flow hedges £'000	Share option reserve £'000	Other reserves £'000	Total £'000
For the year ended 31 December 2007								
Profit for the year	–	–	9,950	129,572	–	–	–	139,522
Dividends	–	–	(10,411)	–	–	–	–	(10,411)
Issue of performance shares	–	–	–	–	–	2,483	–	2,483
Issue of shares on exercise of options	254	844	–	–	–	–	–	1,098
Gain on interest rate swaps	–	–	–	–	33	–	–	33
Changes in equity for the year ended 31 December 2007	254	844	(461)	129,572	33	2,483	–	132,725
Balance at 31 December 2006	138,810	141,136	14,861	755,901	–	4,560	95,258	1,150,526
Balance at 31 December 2007	139,064	141,980	14,400	885,473	33	7,043	95,258	1,283,251
For the year ended 31 December 2006								
Profit for the year	–	–	14,851	189,257	–	–	–	204,108
Dividends	–	–	(3,985)	–	–	–	–	(3,985)
Issue of share options	–	–	–	–	–	1,885	–	1,885
Issue of shares on conversion of convertible bonds	10,208	38,792	–	–	–	–	(7,446)	41,554
Issue of shares on exercise of share options	72	214	–	–	–	–	–	286
Changes in equity for the year ended 31 December 2006	10,280	39,006	10,866	189,257	–	1,885	(7,446)	243,848
Balance at 31 December 2005	128,530	102,130	3,995	566,644	–	2,675	102,704	906,678
Balance at 31 December 2006	138,810	141,136	14,861	755,901	–	4,560	95,258	1,150,526

The notes on pages 54 to 78 form an integral part of these accounts.

Consolidated balance sheet

	Notes	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Non-current assets			
Property, plant and equipment	12	1,463	1,318
Investments designated as fair value through profit and loss	13	1,321,315	921,534
Deferred tax asset		3,219	2,595
		1,325,997	925,447
Current assets			
Financial assets	16	26,783	44,941
Other receivables	16	16,515	14,696
Cash and cash equivalents	16	183,487	295,468
		226,785	355,105
Total assets		1,552,782	1,280,552
Current liabilities			
Other payables	17	(30,621)	(15,970)
Tax payable	17	(3,026)	(2,100)
		(33,647)	(18,070)
Total assets less current liabilities		1,519,135	1,262,482
Non-current liabilities			
Senior Notes	18	(218,137)	(106,330)
Deferred staff compensation	18	(730)	(700)
Deferred tax liability	18	(563)	(1,265)
		(219,430)	(108,295)
Net assets		1,299,705	1,154,187
Equity			
Called up share capital	20	139,064	138,810
Share premium account	21	141,980	141,136
Capital redemption reserve	22	3,204	3,204
Share purchase reserve	23	92,054	92,054
Share option reserve	24	7,267	4,560
Gain/(loss) on cash flow hedges		33	–
Capital reserve	25	886,369	755,245
Revenue reserve	26	29,630	19,071
Shareholders' funds		1,299,601	1,154,080
Minority interest		104	107
Total equity		1,299,705	1,154,187
Net asset value per ordinary share ("Shareholders' funds")			
– undiluted	27	934.5p	831.4p
– diluted	27	902.5p	810.1p

The notes on pages 54 to 78 form an integral part of these accounts.

The Group's financial statements were authorised for issue by the Board of Directors on 2 April 2008 and the balance sheets were signed on behalf of the Board by:

Nicholas Ferguson
Charles Sinclair

Company balance sheet

	Notes	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Non-current assets			
Investments designated as fair value through profit and loss	13	1,310,453	920,216
Investments in subsidiaries	15	22,145	10,684
		1,332,598	930,900
Current assets			
Financial assets	16	25,761	44,941
Other receivables	16	9,426	4,726
Cash and cash equivalents	16	152,416	283,874
		187,603	333,541
Total assets		1,520,201	1,264,441
Current liabilities			
Other payables	17	(18,277)	(6,320)
Tax payable	17	–	–
		(18,277)	(6,320)
Total assets less current liabilities		1,501,924	1,258,121
Non-current liabilities			
Senior Notes	18	(218,137)	(106,330)
Deferred tax liability	18	(536)	(1,265)
		(218,673)	(107,595)
Net assets		1,283,251	1,150,526
Equity			
Called up share capital	20	139,064	138,810
Share premium account	21	141,980	141,136
Capital redemption reserve	22	3,204	3,204
Share purchase reserve	23	92,054	92,054
Share option reserve	24	7,043	4,560
Gain/(loss) on cash flow hedges		33	–
Capital reserve	25	885,473	755,901
Revenue reserve	26	14,400	14,861
Shareholders' funds		1,283,251	1,150,526
Net asset value per ordinary share ("Shareholders' funds")			
– undiluted	27	922.8p	828.9p
– diluted	27	891.5p	807.5p

The notes on pages 54 to 78 form an integral part of these accounts.

The Company's financial statements were authorised for issue by the Board of Directors on 2 April 2008 and the balance sheets were signed on behalf of the Board by:

Nicholas Ferguson
Charles Sinclair

Consolidated cash flow statement

	Notes	For the year ended 31 December 2007 £'000	For the year ended 31 December 2006 £'000
Investment management and advisory fee income		30,671	14,775
Interest income		13,680	10,032
Other income		16,983	18,407
Expenses of the management and advisory group		(14,869)	(12,203)
Other expenses		(3,997)	(2,810)
Interest paid		(10,844)	(5,299)
Tax paid		(5,141)	(2,902)
Net cash from operating activities	28	26,483	20,000
Investing activities			
Capital distributions from core private equity fund portfolio		288,866	289,485
Capital distribution from other investments		1,452	2,069
Receipts in respect of warehoused funds		79,940	63,693
Calls paid to core private equity fund portfolio		(500,378)	(296,966)
Payments in respect of other investments		(65,856)	(14,359)
Payments in respect of warehoused funds		(60,160)	(68,571)
Purchases of property, plant and equipment		(489)	(465)
Net cash (used in)/from investing activities		(256,625)	(25,114)
Financing			
Proceeds from share issues		1,098	286
Proceeds on issue of Senior Notes		109,437	113,073
Issue costs of Senior Notes		(750)	(1,074)
Dividends paid		(10,423)	(4,626)
Net cash from financing activities		99,362	107,659
Net (decrease)/increase in cash and cash equivalents		(130,780)	102,545
Cash and cash equivalents at beginning of year		295,468	205,006
Effect of foreign exchange rates on cash and cash equivalents		18,799	(12,083)
Cash and cash equivalents at end of year		183,487	295,468

The notes on pages 54 to 78 form an integral part of these accounts.

Company cash flow statement

	Notes	For the year ended 31 December 2007 £'000	For the year ended 31 December 2006 £'000
Interest income		12,813	9,304
Other income		17,406	19,533
Expenses		(9,803)	(6,308)
Interest paid		(10,844)	(5,299)
Tax paid		(328)	(2,215)
Net cash from operating activities	28	9,244	15,015
Investing activities			
Capital distributions from core private equity fund portfolio		288,477	280,433
Capital distributions from other investments		1,452	2,069
Receipts in respect of warehoused funds		79,940	63,693
Calls paid to core private equity fund portfolio		(500,357)	(298,489)
Payments in respect of other investments		(58,937)	(14,359)
Payments in respect of warehoused funds		(59,239)	(68,571)
Capital distribution from subsidiaries		–	37,602
Loans to subsidiaries		(1,841)	–
Investment in subsidiaries		(7,960)	–
Net cash (used in)/from investing activities		(258,465)	2,378
Financing			
Proceeds on issue of ordinary shares		1,098	286
Proceeds on issue of Senior Notes		109,437	113,072
Issue costs of Senior Notes		(750)	(1,074)
Dividends paid		(10,411)	(3,985)
Net cash from financing activities		99,374	108,299
Net (decrease)/increase in cash and cash equivalents		(149,847)	125,692
Cash and cash equivalents at beginning of year		283,874	170,102
Effect of foreign exchange rates on cash and cash equivalents		18,389	(11,920)
Cash and cash equivalents at end of year		152,416	283,874

The notes on pages 54 to 78 form an integral part of these accounts.

Notes to the accounts

1 Accounting policies

Basis of accounting

The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the EU and as applied in accordance with the provisions of the Companies Act 1985.

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2005 is consistent with the requirements of International Financial Reporting Standards ("IFRS"), the financial statements have been prepared on a basis compliant with the SORP.

The Group and Company financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all entities controlled by the Company (its subsidiaries).

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Financial statements of all Group companies are prepared for the same reporting period.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. However, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of income statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement. In accordance with the Company's status as a UK investment company under Section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company's contractual right to the cash flow from the asset expires or substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the contractual obligation is discharged, with gains and losses recognised in the income account.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of income or capital gains, such financial assets are designated as fair value through profit or loss on initial recognition. Incidental costs on acquisition of such assets are expensed.

Financial assets designated as fair value through profit or loss are measured at subsequent reporting dates at fair value, which for investment funds is at their net asset value based on the fair value of the underlying investments.

Quoted instruments are valued at either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. New investments are initially carried at cost, for a limited period, being the price of the most recent investment in the investee. This is in accordance with IPEVC Guidelines as the cost of recent investments will generally provide a good indication of fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Gains and losses arising from investments, designated as investments held at fair value through profit or loss, are included in the income statement in the period in which they arise. Foreign exchange gains and losses on fair value through profit or loss investments are included within the changes in its fair value.

1 Accounting policies continued

Derivative financial instruments

The Group uses derivative financial instruments to hedge its risk associated with interest rate fluctuations. It is not the Group's policy to trade in derivative instruments.

Derivative instruments are initially recognised in the balance sheet at cost and are subsequently re-measured at their fair value. Fair value is determined by reference to market values for similar instruments.

Gains or losses arising in the fair value of cash flow hedges in the form of derivative instruments are taken directly to the statement of changes in equity. Such gains and losses are taken to the capital reserve in the balance sheet.

On maturity or early redemption the realised gains or losses arising from cash flow hedges in the form of derivative instruments are taken to the income statement, with an associated transfer from the capital reserve to the revenue reserve in the statement of changes in equity in respect of unrealised gains or losses arising in the fair value of the same arrangement.

The Group considers its interest rate swap qualifies for hedge accounting when the following criteria are satisfied:

- the instrument must be related to an asset or liability;
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa; and
- it must match the principal amounts and maturity date of the hedged item.

Current financial assets

Financial assets purchased with a view to subsequent resale to an associated entity ("warehoused investments") are carried at fair value, being the proposed transfer price of the asset, and included in current assets.

Investments in subsidiaries

In its separate financial statements the Company recognises its investment in subsidiaries at cost, unless they are investment vehicles, in which case they are included at fair value.

Investments in associates

In accordance with IAS 28 'Investments in Associates', the standard does not apply to investments held in associates by private equity organisations that are designated as fair value through profit and loss. Such investments are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

Bank borrowings and loan notes

Interest-bearing bank loans and loan notes issued are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity. Issue costs are allocated proportionately to the liability and equity components. The carrying amount to maturity of the liability component is measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based Payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The cost of equity-settled share-based payments with employees of the Group are measured at fair value at the date of grant and recognised as an expense over the vesting period, which ends on the date on which the employees become unconditionally entitled to the award. Fair value is determined by an external valuer using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any non-market vesting conditions.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the consolidated income statement, with a corresponding entry in equity. No expense is recognised in the Company's income statement as there are no options issued in consideration for the provision of employee services to the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is classified within operating activities in the cash flow statement.

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established and is classified within operating activities in the cash flow statement.

The Company's revenue and capital gains are expected to be derived primarily from future distributions in respect of its holdings in fund investments.

The Company will account for such distributions by reference to the underlying source of the distribution. Realised profits on capital distributions which arise from the realisation of investments within the funds will be credited to the income statement and taken to the Company's capital reserve. Income distributions will be credited to the income statement and taken to the Company's revenue reserve.

Notes to the accounts continued

1 Accounting policies continued

Management and advisory fee income are accrued over the period for which the service is provided.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred. All borrowing costs are charged directly to revenue and are classified within operating activities in the cash flow statement.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The costs relating to defined benefit schemes are accounted for in the same way as for defined contribution schemes where the Group is unable to identify its share of the underlying performance and financial position of the plan with sufficient reliability for accounting purposes. Such situations arise where the contributions payable by the Group are set in terms of the scheme as a whole and, as such, there is no consistent and reliable basis for allocating the Group's obligations, plan assets, or costs.

Other employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Foreign currencies

The functional currency of the Company is pounds sterling. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement and are allocated either to revenue or capital, as appropriate.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's capital reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Investment trusts which have approval under Section 842 Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Fixtures and equipment are stated at cost, including direct acquisition costs, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost less estimated residual value of assets over their estimated useful lives, using the straight-line method, on the following bases:

Telecommunications and office equipment	10%–20%
Leasehold improvements	10%
Computer equipment	20%–33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable.

1 Accounting policies continued

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Assets are classified as cash equivalents if they are readily convertible to cash and are not subject to significant changes in value. The Company has classified short-term bank deposits, investments in money market funds and short-dated treasury bills as cash equivalents.

Summary of new standards and interpretations not applied

During the year the IASB issued IFRS 8 "Operating Segments", which has an effective date of application of 1 January 2009. The standard will replace IAS 14 "Segment Reporting". IFRS 8 adopts a management approach in segment reporting. The information reported in the financial statements would be that which management uses internally for evaluating the performance of operating segments and allocating resources for those segments. The Directors do not anticipate that the adoption of this standard will have a material impact on the Group's financial statements in the period of initial application.

2 Business segments

For management purposes, the Group is currently organised into the following principal activities:

Investing activities

SVG Capital's investment objective is to achieve capital appreciation by investing principally in private equity funds that are managed or advised by Permira, an international private equity specialist. In addition, the Company invests in private equity funds that invest in Japan, North America, Asia and the life sciences sectors, and in unquoted and quoted businesses through specialist funds and co-investments alongside these funds. Investing activities are undertaken by SVG Capital plc, SVG India LP and The Platinum Trust.

Investment management and advisory services

To complement this investment objective and create capital and income for the Company, its fund advisory business structures, markets, manages and advises products for investment in private equity and in public equity using private equity techniques.

These activities are undertaken by SVG Advisers Limited, SVG Managers Limited, SVG Investment Managers Limited, SVG Advisers Inc. and SVG North America Inc. Segment information about these business activities is presented below.

	For the year ended 31 December 2007			For the year ended 31 December 2006		
Group	Investing activities £'000	Investment management and advisory services £'000	Total £'000	Investing activities £'000	Investment management and advisory services £'000	Total £'000
Total operating income	29,150	30,716	59,866	29,153	20,554	49,707
Performance shares and options fair value charge	–	(2,483)	(2,483)	–	(1,888)	(1,888)
Other administrative expenses	(3,824)	(16,988)	(20,812)	(2,600)	(14,483)	(17,083)
Other operating expenses	(484)	–	(484)	(389)	–	(389)
Operating profit	24,842	11,245	36,087	26,164	4,183	30,347
Finance costs	(13,633)	–	(13,633)	(6,300)	–	(6,300)
Gains on fair value through profit and loss	113,403	18	113,421	198,029	9	198,038
Exchange gains/(losses)	17,123	378	17,501	(6,703)	(143)	(6,846)
Profit before tax	141,735	11,641	153,376	211,190	4,049	215,239
Total assets	1,521,067	31,715	1,552,782	1,255,504	25,048	1,280,552
Total liabilities	(237,712)	(15,365)	(253,077)	(113,611)	(12,754)	(126,365)
Net assets	1,283,355	16,350	1,299,705	1,141,893	12,294	1,154,187

	For the year ended 31 December 2007			For the year ended 31 December 2006		
Company	Investing activities £'000	Investment management and advisory services £'000	Total £'000	Investing activities £'000	Investment management and advisory services £'000	Total £'000
Total operating income	29,626	–	29,626	29,876	–	29,876
Performance shares and options fair value charge	–	–	–	–	–	–
Other administrative expenses	(9,408)	–	(9,408)	(6,510)	–	(6,510)
Other operating expenses	(484)	–	(484)	(389)	–	(389)
Operating profit	19,734	–	19,734	22,977	–	22,977
Finance costs	(13,633)	–	(13,633)	(6,300)	–	(6,300)
Gains on fair value through profit and loss	112,236	–	112,236	197,214	–	197,214
Exchange gains/(losses)	17,091	–	17,091	(6,683)	–	(6,683)
Profit before tax	135,428	–	135,428	207,208	–	207,208
Total assets	1,520,201	–	1,520,201	1,264,441	–	1,264,441
Total liabilities	(236,950)	–	(236,950)	(113,915)	–	(113,915)
Net assets	1,283,251	–	1,283,251	1,150,526	–	1,150,526

Income arises mainly from UK operations. A geographical analysis of investments is included in note 14.

Notes to the accounts continued

3 Revenue

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Income from investments:				
Income from money market instruments	8,703	7,971	9,127	9,127
Interest from funds and co-investments	281	281	158	158
Other income from funds and co-investments	16,799	17,221	18,249	19,375
Interest on warehoused funds	2,703	2,703	634	634
Other operating income:				
Income from investment advisory services	29,712	–	20,273	–
Other interest receivable and other income	1,668	1,450	1,266	582
	59,866	29,626	49,707	29,876
Represented by:				
Interest	13,127	12,135	11,183	10,500
Income from investment advisory services	29,712	–	20,273	–
Other income from funds and co-investments	16,799	17,221	18,249	19,375
Other income	228	270	2	1
	59,866	29,626	49,707	29,876

4 Administrative expenses

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Fees payable to SVG Advisers Limited	–	6,720	–	4,026
Fees payable to Schroder Investment Management Limited	266	219	359	316
Directors' remuneration	1,644	472	1,380	372
Performance shares and options fair value charge	2,483	–	1,888	–
N.I. on performance shares and options	797	155	1,227	461
Staff costs (note 5)	12,137	–	10,170	–
Depreciation (note 12)	334	–	247	–
General expenses	5,448	1,733	3,541	1,328
Auditors' remuneration				
– Statutory audit fees	154	85	149	7
– Regulatory reporting	–	–	10	–
– Other services	32	24	–	–
	23,295	9,408	18,971	6,510

The Company has no employees (2006: nil). The Directors are the only key management personnel of the Company. Their remuneration is discussed in more detail in the Remuneration Report. The Company's executive Director, Andrew Williams, received remuneration of £1,172,000 in respect of his services to SVG Advisers Limited, a wholly-owned subsidiary.

5 Staff costs

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Wages and salaries	10,162	–	8,433	–
Social security costs	1,323	–	1,041	–
Pension costs (note 6)	652	–	696	–
	12,137	–	10,170	–

The Company has no employees under contracts of employment. The average number of staff employed by the Group was:

	For the year ended 31 December 2007 Number	For the year ended 31 December 2006 Number
Full-time employees	55	43
Seconded staff	3	3
	58	46

6 Pension costs

The charge for pension costs comprises:

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Defined benefit schemes	85	–	194	–
Money purchase schemes	567	–	502	–
	652	–	696	–

The Group does not participate in a SVG Group pension scheme. Costs in respect of defined benefit schemes relate to payments due to the Schroders Retirement Benefits Scheme ("the Scheme") in respect of four current and former employees, including the Company's executive Director, seconded from Schroder Investment Management Limited to SVG Advisers Limited ("SVGA"), a wholly owned subsidiary of the Company. SVGA and the Scheme's trustees, taking advice from the independent actuaries, agree the contributions.

In accordance with IAS 19, the Group's contributions to the Scheme are accounted for as a defined contribution scheme on the basis that the Group is unable to readily identify its share of the underlying assets and liabilities of the Scheme at the balance sheet date as there is no consistent and reliable basis for allocating the obligations, plan assets and costs to the Group. Further details of the Scheme can be found in the Annual Report and Accounts of Schroders plc. In particular, the Scheme had 313 active members in the defined benefit section at 31 December 2007 and the accounts of Schroders plc disclosed a net pension asset in respect of the Scheme of £42.5 million, calculated under IAS 19 based on valuations as at 1 January 2007 prepared by independent qualified actuaries.

7 Finance costs

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Convertible loan note interest	–	–	858	858
Amortisation of issue and listing costs plus premium to redemption re convertibles	–	–	(1,435)	(1,435)
Senior note interest	9,560	9,560	3,389	3,389
Amortisation of issue costs re Senior Notes	198	198	70	70
Swap (receipts)/payments	(50)	(50)	11	11
Loan facility finance costs	3,277	3,277	2,416	2,416
Amortisation of loan facility issue costs	641	641	935	935
Other interest	7	7	56	56
	13,633	13,633	6,300	6,300

Notes to the accounts continued

8 Operations in the year

There is a large degree of uncertainty and risk involved in investing in private equity and the results of the Group and the Company are primarily dependent on the performance of its private equity fund investments. During the year ended 31 December 2007, gains on investments amounted to £113.4 million (2006: £198.0 million) for the Group and £112.2 million (2006: £197.2 million) for the Company.

As detailed in notes 30 and 31, the Company has agreed that it should focus its future investments mainly on Permira Funds. As such, and given that our largest exposures currently are to Permira Funds (see notes 19 and 32), we expect that the future performance of the Company will be largely dependent on the future performance of the Permira Funds in which we invest.

9 Tax

(a) The charge for tax for the year is made up as follows:

	For the year ended 31 December 2007			For the year ended 31 December 2006		
Group	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	5,933	–	5,933	2,784	–	2,784
Double taxation relief	–	–	–	–	–	–
	5,933	–	5,933	2,784	–	2,784
Overseas tax	(1,847)	–	(1,847)	1,962	–	1,962
Prior year adjustment	(1,539)	–	(1,539)	(15)	–	(15)
Total current tax (note 9(b))	2,547	–	2,547	4,731	–	4,731
Deferred tax						
Deferred tax	(401)	(729)	(1,130)	(313)	737	424
Effect of changes in UK corporation tax rate	204	–	204	–	–	–
Prior year adjustment	(348)	–	(348)	(2,005)	–	(2,005)
Total deferred tax (note 18)	(545)	(729)	(1,274)	(2,318)	737	(1,581)
Total tax (credit)/charge	2,002	(729)	1,273	2,413	737	3,150

	For the year ended 31 December 2007			For the year ended 31 December 2006		
Company	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax						
Corporation tax	–	–	–	–	–	–
Double taxation relief	–	–	–	–	–	–
	–	–	–	–	–	–
Overseas tax	(1,806)	–	(1,806)	2,215	–	2,215
Prior year adjustment	(1,559)	–	(1,559)	–	–	–
Total current tax (note 9(b))	(3,365)	–	(3,365)	2,215	–	2,215
Deferred tax						
Deferred tax	–	(729)	(729)	–	885	885
Total deferred tax (note 18)	–	(729)	(729)	–	885	885
Total tax (credit)/charge	(3,365)	(729)	(4,094)	2,215	885	3,100

There are no profits chargeable to corporation tax for the Company in the current year. Excess management expenses relating to the venture fund investments are available to set against any taxable income of the Company. These excess management expenses are included within the investments in venture funds in the balance sheet of the Company and are not reflected in the Company's revenue account. If in a future year in relation to the venture fund investments income exceeds expenses, the taxation charge to the Company's revenue account will include tax on this excess with a suitable note by way of explanation.

9 Tax continued

(b) Factors affecting current tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for a large company (30%). The differences are explained below:

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Profit before tax	153,376	135,428	215,239	207,208
Corporation tax at 30%	46,013	40,628	64,572	62,162
Effects of:				
Non-taxable capital gains	(38,486)	(38,653)	(57,241)	(57,043)
Non deductible expenses	345	110	(174)	–
Difference between accounting and taxable income from funds	(5,677)	(5,677)	362	362
Losses brought forward utilised in the year	–	–	(5,616)	(5,481)
Unutilised current year expenses carried forward	1	–	–	–
Other short-term timing differences	(48)	–	–	–
Depreciation of items not eligible for capital allowances	8	–	8	–
UK tax on income of overseas subsidiary	127	–	338	–
Income of subsidiary not taxable	(6)	–	(86)	–
Income taxable at (lower)/higher rates	(414)	–	4	–
Prior year adjustments re overseas tax	–	–	2	–
Prior year adjustments re UK corporation tax	(1,887)	(1,558)	(2,020)	–
Temporary differences arising in the year on which deferred tax is not recognised	3,591	3,591	–	–
Options costs temporarily disallowed in the year on which deferred tax is not recognised	37	–	49	–
Overseas tax	(1,806)	(1,806)	2,215	2,215
Overseas deferred tax	(729)	(729)	737	885
Effect of changes in UK corporation tax rate	204	–	–	–
Current tax (credit)/charge for the year (Note 9(a))	1,273	(4,094)	3,150	3,100

10 Dividends

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Amounts recognised as distributions in the year:				
Dividend of 7.5p (2006: 3.1p)	10,411	10,411	3,985	3,985

The dividend of 7.5p is based on 138,810,137 shares in issue.

In order to maintain investment trust status, the Directors intend to declare a final dividend of 6.5p per share out of available profits for the year ended 31 December 2007. The total dividend payable in respect of the financial year and which will be taken into account in determining the amount of net revenue retained under the requirements of Section 842 of the Income and Corporation Taxes Act 1988, is set out below.

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group (restated) £'000	For the year ended 31 December 2006 Company (restated) £'000
Dividend of 6.5p (2006: 7.5p)	9,039	9,039	10,411	10,411

The dividend of 6.5p is based on 139,064,434 (2006: 138,810,137) shares in issue.

Notes to the accounts continued

11 Earnings per share

The calculation of the basic and diluted earnings per share, in accordance with IAS 33, is based on the following data:

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	152,094	139,522	211,983	204,108
Effect of dilutive potential ordinary shares:				
Interest on convertible loan notes (net of tax)	–	–	–	–
Earnings for the purposes of diluted earnings per share	152,094	139,522	211,983	204,108

	Number	Number	Number	Number
Number of shares				
Weighted-average number of ordinary shares for the purposes of basic earnings per shares	138,883,980	138,883,980	134,193,840	134,193,840
Effect of dilutive potential ordinary shares:				
Share options and performance shares	4,376,767	4,376,767	3,536,482	3,536,482
Weighted-average number of ordinary shares for the purposes of diluted earnings per share	143,260,747	143,260,747	137,730,322	137,730,322
Earnings per share				
Basic	109.5p	100.5p	158.0p	152.1p
Diluted	106.2p	97.4p	153.9p	148.2p

12 Property, plant and equipment (Group)

	Leasehold improvements £'000	Computer equipment £'000	Telecom-munications and office equipment £'000	Art £'000	Total £'000
Cost					
At 1 January 2007	780	766	384	37	1,967
Additions	50	324	57	53	484
Disposals	–	(10)	–	–	(10)
Exchange translation	(3)	(2)	(1)	–	(6)
At 31 December 2007	827	1,078	440	90	2,435
Depreciation					
At 1 January 2007	159	374	116	–	649
Charge for the year	101	182	51	–	334
Disposals	–	(10)	–	–	(10)
Exchange translation	–	(1)	–	–	(1)
At 31 December 2007	260	545	167	–	972
Net book value					
At 31 December 2006	567	533	273	90	1,463
At 1 January 2007	621	392	268	37	1,318

Property, plant and equipment are assets of SVG Capital's subsidiary companies.

12 Property, plant and equipment (Group) continued

	Leasehold improvements £'000	Computer equipment £'000	Telecommunications and office equipment £'000	Art £'000	Total £'000
Cost					
At 1 January 2006	598	575	321	37	1,531
Additions	191	200	79	–	470
Disposals	(8)	(1)	(12)	–	(21)
Exchange translation	(1)	(8)	(4)	–	(13)
At 31 December 2006	780	766	384	37	1,967
Depreciation					
At 1 January 2006	100	248	84	–	432
Charge for the year	70	132	46	–	248
Disposals	(9)	–	(12)	–	(21)
Exchange translation	(2)	(6)	(2)	–	(10)
At 31 December 2006	159	374	116	–	649
Net book value					
At 31 December 2006	621	392	268	37	1,318
At 1 January 2006	498	327	237	37	1,099

13 Investments

(a) Group

Fair value through profit or loss assets	Core private equity fund portfolio 2007 £'000	Other investments 2007 £'000	Total portfolio 2007 £'000	Core private equity fund portfolio 2006 £'000	Other investments 2006 £'000	Total portfolio 2006 £'000
Valuation brought forward	872,491	49,043	921,534	674,054	29,671	703,725
Calls and purchases	500,377	81,301	581,678	296,966	14,359	311,325
Distributions and sales	(288,866)	(6,452)	(295,318)	(289,485)	(2,069)	(291,554)
Gains on investments	76,973	36,448	113,421	190,956	7,082	198,038
Valuation carried forward	1,160,975	160,340	1,321,315	872,491	49,043	921,534

(b) Company

	Core private equity fund portfolio 2007 £'000	Other investments 2007 £'000	Total portfolio 2007 £'000	Core private equity fund portfolio 2006 £'000	Other investments 2006 £'000	Total portfolio 2006 £'000
Valuation brought forward	871,173	49,043	920,216	647,610	29,671	677,281
Calls and purchases	500,357	73,590	573,947	298,489	14,359	312,848
In-specie transfer of funds	–	–	–	18,257	–	18,257
Distributions and sales	(288,477)	(6,452)	(294,929)	(280,433)	(2,069)	(282,502)
Gains on investments	76,878	34,341	111,219	187,250	7,082	194,332
Valuation carried forward	1,159,931	150,522	1,310,453	871,173	49,043	920,216

Total gains of £112,236,000 (2006: £197,214,000) shown in the Company's income statement also include gains on subsidiaries during the year of £1,017,000 (2006: £2,882,000).

All funds in the core private equity fund portfolio are unlisted. However, some of the underlying companies held within those funds are listed. Included in the value of total core private equity fund portfolio of £1,160,975,000 are gross valuations of listed investments amounting to £241,214,000 (31 December 2006: £161,532,000).

Significant interests in investment funds

Details of investments in which the Company or Group has an interest of 10% or more of any class of share/units are detailed in the list of investments on pages 26 and 27.

In addition, SVG Capital has a 5.0% interest in the I Class units of the SVG UK Focus Fund, a 98.6% interest in the A Class and 98.6% interest in the R Class units of the SVG European Fund and a 20.7% interest in the A Class and 99.7% interest in the R Class units of the SVG Alpha Fund, all of which form part of SVG Investment Funds, a Dublin-listed OEIC managed by SVG Investment Managers Limited, of which SVG Capital has an aggregate interest of 10.1%. It also has a 21% interest in Strategic Equity Capital plc, a UK-listed investment trust managed by SVG Investment Managers Limited and a £13.3 million commitment to co-invest alongside the Strategic Recovery Fund II.

Notes to the accounts continued

14 Geographical analysis of investments

	31 December 2007 Group £'000	31 December 2007 Company £'000	31 December 2006 Group £'000	31 December 2006 Company £'000
Private equity funds and co-investments				
Europe*	1,014,213	1,013,961	722,798	722,203
Total Europe	1,014,213	1,013,961	722,798	722,203
Asia				
Asia Pacific	75,956	75,164	67,036	66,313
Japan	15,609	15,609	20,514	20,514
Total Asia	91,565	90,773	87,550	86,827
North America				
Canada	2,017	2,017	3,835	3,835
United States**	53,180	53,180	58,308	58,308
Total North America	55,197	55,197	62,143	62,143
Core private equity fund portfolio	1,160,975	1,159,931	872,491	871,173
Public equity funds:				
UK	32,333	32,332	30,218	30,218
Europe	7,212	7,212	–	–
Total public equity funds	39,545	39,544	30,218	30,218
Other investments				
CLO funds–Europe	38,301	38,301	10,106	10,106
Structured private equity funds of funds***	66,145	66,145	5,621	5,621
Indian funds	9,817	–	–	–
Other	6,532	6,532	3,098	3,098
Total other investments	120,795	110,978	18,825	18,825
Total investment portfolio	1,321,315	1,310,453	921,534	920,216

* Permira Funds have been included in Europe, which is the primary focus of such funds, although they can invest a certain amount of their committed capital in businesses which do not have significant activities in Europe.

** SV Life Sciences Fund II, SV Life Sciences Fund III and SV Life Sciences Fund IV have been included within the US.

*** Structured private equity funds of funds are relatively equally focused between Europe and the US.

Allocations are based on the expected geographical focus of the funds.

15 Investments in subsidiaries

	Year ended 31 December 2007 Company £'000	Year ended 31 December 2006 Company £'000
Cost at the beginning of the year	9,060	31,187
Cash contributions	7,960	–
Capital contribution in respect of performance shares and options granted over SVG Capital shares	2,483	1,885
Distributions from Platinum Trust:		
– in-specie distribution of Funds	–	(18,257)
– capital distribution	–	(37,602)
– realised profit on distribution	–	31,847
Cost at the end of the year	19,503	9,060
Net unrealised gain on investment at the end of the year	2,642	1,624
Carrying value at the end of the year	22,145	10,684

In accordance with IFRS 2, the fair value amount of options issued that have been charged in the income statements of SVG Advisers Limited and SVG Advisers Inc. are treated as a non-refundable contribution to subsidiaries and added to the cost of subsidiaries in SVG Capital's accounts.

As an investment vehicle, the Platinum Trust is included in the Company's balance sheet at its fair value of £1,290,000 (31 December 2006: £1,624,000). Similarly, SVG India LP is an investment entity and is included in the Company's balance sheet at its fair value of £9,062,000 (31 December 2006: nil). The other subsidiaries are operating companies rather than investment vehicles and are included at cost. SVG Advisers Limited is included at cost of £11,293,000 (31 December 2006: £8,810,000). SVG Investment Managers Limited is included at cost of £250,000 (31 December 2006: £250,000). SVG Managers Limited is included at cost of £250,000 (31 December 2006: nil). SVG North America Inc. and SVG Advisers Inc. are wholly owned subsidiaries of SVGA.

Subsidiary undertakings at 31 December 2007:

Company and business	Country of registration, incorporation and operation	Number and class of shares/units held by the Group	Group holding	Capital and reserves at 31 December 2007 £'000	Profit after tax for the year ended 31 December 2007 £'000
The Platinum Trust (unit trust) – investment vehicle	Guernsey	23,112 'A' units(1)	99%		
		900 'B' units(1)	90%	1,394	97
SVG Advisers Limited – advisory and administration services	UK	4,250,000 Ordinary Shares(2)	100%	27,708	12,151
SVG North America, Inc. – broker/dealer	US	3,000 Common Shares(3)	100%	128	22
SVG Advisers, Inc. – investment adviser	US	100 Common Shares(4)	100%	642	(253)
SVG Investment Managers Limited – investment manager	UK	250,000 Ordinary Shares(5)	100%	1,039	663
SVG Managers Limited – investment manager	UK	250,000 Ordinary Shares(6)	100%	248	(2)
SVG India LP – investment vehicle	Guernsey	US$50,000,000 commitment(7)	100%	9,062	1,352

(1) On termination of The Platinum Trust, the 'B' units (non-equity) are entitled to a return of the original amount subscribed. The 'A' units (equity) are entitled to the remaining net assets. In April 2006, Platinum Trust distributed cash and private equity funds to SVG Capital plc. The total value of these distributions amounted to £55.9 million.

(2) The Company acquired 100 ordinary £1 shares in SVG Advisers Limited ("SVGA") for £100 on 18 June 2001. On 26 June 2001, SVGA issued 749,900 ordinary £1 shares to the Company for £749,900. On 22 April 2002, SVGA issued a further 750,000 ordinary £1 shares to the Company for £750,000. On 19 December 2002, SVGA issued a further 1,500,000 ordinary £1 shares to the Company for £1,500,000. On 29 April 2004, SVGA issued a further 1,250,000 ordinary £1 shares to the Company for £1,250,000.

The Company has also granted performance shares and options over its own shares to employees of SVGA and SVGA Inc. In accordance with IFRS 2, the fair value of such performance shares and options, at the date of grant, are accounted for as a contribution to SVGA. The total cost of performance shares and options accounted for as an investment in subsidiary amounted to £7,043,000 at 31 December 2007.

(3) SVG North America Inc. ("SVGNA") is a subsidiary of SVGA. SVGA acquired SVGNA on 18 June 2001 for US$50,000 and subscribed for additional paid-in capital of US$250,000 in the year ended 30 June 2002. On 31 December 2005, SVGNA repaid US$275,000 of capital to SVGA. This amount was immediately reinvested in SVGA Inc.

(4) SVG Advisers Inc. ("SVGA Inc.") is also a subsidiary of SVGA. SVGA Inc. commenced operations on 1 January 2003. SVGA acquired 100 common US$1 shares for US$100 on 13 December 2002. SVGA subscribed for additional paid-in capital of US$141,463 during the year ended 31 December 2004. On 31 December 2005, SVGA subscribed for US$275,000 of additional capital in SVGA Inc.

(5) The Company acquired 100 ordinary £1 shares in SVG Investment Managers Limited ("SVG IM") for £100 on 16 October 2002. On 16 May 2003, SVG IM issued 99,900 ordinary £1 shares to the Company for £99,900. On 4 May 2005, a further 150,000 shares were issued to the Company for £150,000. On 7 August 2007, SVG Capital provided a £624,000 subordinated loan to SVGM. On 31 January 2008, the Company's share capital was re-organised and replaced by 25,000,000 ordinary 1p 'A' shares and 5,000,000 ordinary 'B' shares. All of the 'A' shares were issued to SVG Capital, but employees were granted options over 12,499,900 shares. The 'B' shares are non-voting and were issued as follows: 2,500,100 to SVG Capital and 2,499,900 to employees.

(6) SVG Managers Limited ("SVGM") was incorporated on 27 October 2007. During 2007 SVG Capital plc acquired and subscribed for 250,000 ordinary £ shares.

(7) SVG India LP was formed on 7 December 2007. SVG Capital plc has made a commitment of US$50,000,000 to SVG India LP. The investment will be in the form of a limited partnership commitment. At 31 December 2007, SVG Capital was the sole limited partner. Heritage Partners GP Limited acts as the general partner and is not a related party.

Notes to the accounts continued

16 Current assets

Financial assets	31 December 2007 Group £'000	31 December 2007 Company £'000	31 December 2006 Group £'000	31 December 2006 Company £'000
Warehoused fund investments*	26,783	25,761	44,941	44,941
	26,783	25,761	44,941	44,941

* Further details on warehoused fund investments are included in note 31. Further calls and distributions in respect of warehoused funds have been made following the year end.

Other receivables	31 December 2007 Group £'000	31 December 2007 Company £'000	31 December 2006 Group £'000	31 December 2006 Company £'000
Amounts falling due within one year:				
Amounts owed by group undertakings	–	3,223	–	–
Interest receivable	2,288	2,092	2,582	2,546
Prepayments and other debtors	8,017	4,078	4,978	2,180
Fair value of interest rate swaps	33	33	–	–
Accrued investment advisory fee income	6,177	–	7,136	–
	16,515	9,426	14,696	4,726

Cash and cash equivalents	31 December 2007 Group £'000	31 December 2007 Company £'000	31 December 2006 Group £'000	31 December 2006 Company £'000
Bank balances and short-term deposits	19,891	10,759	7,001	5,038
Money market funds	78,749	56,810	47,714	38,083
Treasury bills	84,847	84,847	240,753	240,753
	183,487	152,416	295,468	283,874

Cash equivalents are highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change in value, other than those arising from fluctuations in foreign exchange rates.

Cash at bank and investments in money market funds earn interest at floating rates. Money market funds are redeemable for same-day value and are AAA-rated. Short-term deposits are typically made for periods of between one week and three months, earning interest at the respective short-term deposit rates. Treasury bills earn a yield to redemption and have maturities of less than three months.

17 Current liabilities

Other payables	31 December 2007 Group £'000	31 December 2007 Company £'000	31 December 2006 Group £'000	31 December 2006 Company £'000
Amounts owed to group undertakings	–	–	–	319
Interest payable and similar charges	6,776	6,776	4,256	4,256
Other creditors and accruals	23,845	11,501	11,714	1,745
	30,621	18,277	15,970	6,320

Borrowings

During the year, the Company amended its €600 million loan facility to provide it with an increased facility of €750 million (£550.9 million) with The Royal Bank of Scotland plc, The Bank of Scotland plc and Bayerische Hypo-und Vereinsbank AG. No drawdowns were made under the facility during the year ended 31 December 2007, although €123.7 million (£90.8 million) was effectively utilised by way of a guarantee over SVG Capital's commitments to SVG Diamond Holdings Limited and SVG Diamond Holdings II Limited (note 19).

Tax payable

	For the year ended 31 December 2007 Group £'000	For the year ended 31 December 2007 Company £'000	For the year ended 31 December 2006 Group £'000	For the year ended 31 December 2006 Company £'000
Current tax liability – corporation tax				
Balance brought forward	2,100	–	42	–
Corporation tax paid	(3,468)	–	(711)	–
Corporation tax charged to income statement (note 9(a))	5,933	–	2,784	–
Prior year adjustment	(1,539)	–	(15)	–
Balance carried forward	3,026	–	2,100	–

18 Non-current liabilities

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Senior Notes	218,137	218,137	106,330	106,330
Deferred staff compensation	730	–	700	–
Deferred tax liability	563	536	1,265	1,265
	219,430	218,673	108,295	107,595

Non-current liabilities include £218.1 million of Senior unsecured loan Notes. Further details of the Notes are provided in the following table:

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
US$170 million 7.10% Fixed Rate Series A Senior Notes due 18 July 2013	85,401	85,401	86,859	86,959
€20 million 5.57% Fixed Rate Series B Senior Notes due 18 July 2013	14,690	14,690	13,475	13,475
£7 million Floating Rate Series C Senior Notes due 18 July 2013	7,000	7,000	7,000	7,000
US$175 million 6.49% Fixed Rate Series A Senior Notes due 18 July 2014	87,913	87,913	–	–
€15 million 5.72% Fixed Rate Series B Senior Notes due 18 July 2014	11,017	11,017	–	–
€5 million Floating Rate Series C Senior Notes due 18 July 2014	3,673	3,673	–	–
£10 million 7.10% Fixed Rate Series D Senior Notes due 18 July 2015	10,000	10,000	–	–
	219,694	219,694	107,334	107,334
Unamortised issue costs	(1,557)	(1,557)	(1,004)	(1,004)
	218,137	218,137	106,330	106,330

On 18 July 2006, the Company entered into an interest rate swap agreement with The Royal Bank of Scotland plc ("RBS") to effectively fix the interest payments under the Series C 2013 Notes at a rate of 6.65% per annum.

With effect from 2 August 2007, the Company entered into an interest rate swap agreement with RBS to effectively fix the interest payments under the Series C 2014 Notes at a rate of 5.86% per annum.

The Company issued a further £40 million 7.10% Fixed Rate Series D Senior Notes due 18 July 2015 on 4 January 2008.

Issue costs are charged to the revenue account over the term of the Senior Notes.

Deferred staff compensation relates to obligations in respect of SVG Advisers Inc. under a Supplemental Executive Retirement Plan.

A legislative change in the UK has reduced the main corporation tax rate from 30% to 28%, with effect 1 April 2008.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2006: 30%). The deferred tax liability relates entirely to overseas tax expected to be payable in respect of one of our private equity funds. A deferred tax liability of £536,000 (2006: £1,265,000) has been recognised by SVG Capital plc in respect of potential Japanese tax that could become payable on the realisation of assets within the Company's Japanese funds. A deferred tax asset of £2,865,000 (2006: nil) has also been recognised by SVG Advisers in respect of performance shares and options.

A deferred tax asset of £355,000 (2006: £277,000) has been recognised by SVG Advisers Inc. in respect of US taxation. A deferred tax asset of £2,864,000 (2006: £2,318,000) has been recognised in respect of SVG Advisers Ltd.

A deferred tax asset of £16.2 million (2006: £16.7 million), of which £3.4 million (2006: £5.1 million) would have been recognised in equity, relating to losses and other temporary differences, has not been recognised as there is insufficient evidence that there will be sufficient taxable profits against which these losses and temporary differences can be utilised. The excess management expenses and other temporary differences to which this unrecognised asset relates are available indefinitely for offset against future taxable profits.

Excess unrelieved foreign tax of £0.2 million (2006: £2.2 million) has not been recognised as a deferred tax asset as there is insufficient evidence that there will be sufficient taxable profit in the future against which it could be utilised.

Notes to the accounts continued

19 Capital commitments and contingencies

At 31 December 2007, the Group had uncalled commitments to its fund investments as follows:

	2007 Uncalled commitment (local currency)	2007 Uncalled commitment* £m	2006 Uncalled commitment £m
Permira funds			
Permira Europe II	€16.3m	12.0	11.0
Permira Europe III	€72.4m	53.2	57.4
Permira IV	€1,589.4m	1,167.4	1,526.0
P123	€9.7m	7.1	9.0
P1234	€7.7m	5.7	5.2
P25	€75.0m	55.1	55.2
SVG Sapphire IV	€9.8m	7.2	9.4
		1,307.7	1,673.2
Other private equity funds			
SV Investments Fund I	US$5.3m	2.7	0.2
SV Life Sciences Fund II	US$2.1m	1.1	2.3
SV Life Sciences Fund III	US$16.5m	8.3	12.8
SV Life Sciences Fund IV	US$39.0m	19.6	25.5
The Japan Fund IV	¥6.4bn	28.9	30.6
		60.6	71.4
Public equity funds			
The Strategic Recovery Fund II	£16.5m	16.5	11.9
CLO funds			
Key Capital SVG CLO Equity Fund	–	–	6.7
Key Capital SVG CLO Equity Fund II	€13.0m	9.5	–
		9.5	6.7
Structured private equity funds of funds			
SVG Diamond Holdings	€54.9m	40.3	35.6
SVG Diamond Holdings II	€68.8m	50.5	41.5
SVG Diamond Private Equity III	€48.0m	35.3	–
Vintage I	€28.8m	21.2	–
		147.3	77.1
Other investments			
SVG India	US$36.1m	18.1	–
Total		1,559.7	1,840.3

* Based on exchange rates at 31 December 2007.

In addition, the Group had uncalled commitments to warehoused assets totalling £75.8 million.

Operating leases

The Group has the following obligations under operating leases:

	< 1 year £'000	1–5 years £'000	> 5 years £'000	Total £'000
As at 31 December 2007				
Operating lease obligation	400	100	–	500
As at 31 December 2006				
Operating lease obligation	400	500	–	900

20 Share capital

	31 December 2007 Group £'000	31 December 2007 Company £'000	31 December 2006 Group £'000	31 December 2006 Company £'000
Authorised:				
200,000,000 shares of £1.00 each	200,000	200,000	200,000	200,000
Allotted, called up and fully paid:				
Opening balance of 138,810,137 shares of £1.00 each	138,810	138,810	128,530	128,530
Issue of ordinary shares on conversion of bonds	–	–	10,208	10,208
Issue of ordinary shares on exercise of options	254	254	72	72
Closing balance of 139,064,434 shares of £1.00 each	139,064	139,064	138,810	138,810

Options over ordinary shares

During the year, no options were granted (2006: 725,427), 254,297 (2006: 71,957) options were exercised and 12,011 (2006: 4,267) lapsed.

At 31 December 2007, 8,279,393 (2006: 8,545,701) options to subscribe for ordinary shares were outstanding, as detailed below:

Issue date	Latest exercise date	Options granted in the year	Options exercised in the year	Options lapsed in the year	Exercise price per share	31 December 2007 number in issue	31 December 2006 number in issue
21 June 2001	20 June 2011	–	133,658	–	410.0p	2,622,433	2,756,091
21June 2001	20 June 2011	–	–	–	405.5p	28,359	28,359
5 April 2002	4 April 2012	–	2,690	–	334.5p	1,324,807	1,327,497
5 April 2002	4 April 2012	–	1,000	–	335.0p	13,476	14,476
13 March 2003	12 March 2013	–	23,552	–	392.75	1,136,722	1,160,274
13 March 2003	12 March 2013	–	7,638	–	397.50	10,978	18,616
15 October 2003	14 October 2013	–	21,298	–	493.0p	30,425	51,723
12 March 2004	11 March 2014	–	53,496	–	479.0p	1,239,386	1,292,882
12 March 2004	11 March 2014	–	10,965	–	492.0p	20,618	31,583
23 March 2005	22 March 2015	–	–	–	564.0p	1,111,860	1,111,860
23 March 2005	22 March 2015	–	–	5,677	569.5p	22,239	27,916
24 March 2006	23 March 2016	–	–	–	831.4p	694,931	694,931
24 March 2006	23 March 2016	–	–	6,334	832.0p	23,159	29,493
		–	254,297	12,011		8,279,393	8,545,701

For all options in issue, the performance target is for growth in the Company's net asset value per ordinary share to exceed the growth in the Retail Prices Index plus 4% per annum over the three years from the date of grant.

The performance target has been met for all options issued by the end of March 2004.

For all subsequent options, if the performance target is not met on the 3rd anniversary of the grant date, they lapse (i.e. there will be no re-testing of the performance condition).

Share-based payments

The weighted-average fair value of options granted during the year was nil (2006: 220.7p). The range of exercise prices for options outstanding at the year end was 334.5p to 832.0p (2006: 334.5p to 832.0p). The weighted-average exercise price of options in issue at the year end was 463.9p (2006: 463.3p). All options in issue will be equity-settled.

The mid-market price of shares at 31 December 2007 was 757.5p and the range during the year was 757.5p to 944.0p.

The fair value of equity-settled share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Notes to the accounts continued

20 Share capital continued

The following table lists the inputs to the model used for the year ended 31 December 2006.

	2007	2006
Dividend yield (%)	n/a	0
Expected share price volatility (%)	n/a	18
Historical volatility (%)	n/a	18
Risk-free interest rate (%)	n/a	4.4
Expected life of options (years)	n/a	5.7
Weighted-average share price (pence)	n/a	832

There were no options granted in 2007. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

Performance shares

A new performance share plan was approved at the 2007 AGM to replace further grants of options, other than in exceptional circumstances. During the year, 958,584 performance shares were granted (2006: nil), none of which (2006: nil) vested or were exercised and 10,810 (2006: nil) lapsed.

At 31 December 2007, 944,774 (2006: nil) performance shares were outstanding, as detailed below:

Issue date	Earliest Vesting/ exercise date	Earliest Vesting/ exercise date*	Performance shares granted in the year	Performance shares vested/ exercised in the year	Performance shares lapsed in the year	Exercise price per share	31 December 2007 number in issue	31 December 2006 number in issue
15 May 2007	15 May 2010(1)	15 May 2017	473,404	–	10,810	0.0p	462,594	–
15 May 2007	15 May 2011(2)	15 May 2017	102,781	–	–	0.0p	102,781	–
15 May 2007	15 May 2010(1)	15 May 2017	48,154	–	–	100.0p	48,154	–
15 May 2007	15 May 2011(2)	15 May 2017	275,984	–	–	100.0p	275,984	–
25 October 2007	25 October 2010(1)	25 October 2017	49,987	–	–	0.0p	49,987	–
25 October 2007	25 October 2010(1)	25 October 2017	8,274*	–	–	0.0p	8,274	–
			958,584	–	10,810		947,774	–

*Vesting of these awards will be satisfied by market purchase of shares.

Performance condition footnotes:

(1) Awards subject to stretching growth targets in the gross value of SVG Advisers Limited over three financial years of the Company ending 31 December 2009.

(2) Awards subject to performance conditions based on growth in the Company's undiluted Net Asset Value per Share of the Company ("NAV") over four financial years ending 31 December 2010. Specifically, 25% and 100% of an award will vest or become capable of exercise if average annual NAV growth over the performance period is equal to 10% and equal to or greater than 18% respectively. For performance between these two points awards will vest on a straight-line basis.

The price of an ordinary share on 15 May 2007 and 25 October 2007, when awards were granted under the PSP, was 921.5p and 858.5p, respectively.

21 Share premium account

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance brought forward	141,136	141,136	102,130	102,130
Premium on shares issued on conversion of bonds	–	–	38,792	38,792
Premium on issue of shares on exercise of options	844	844	214	214
Balance carried forward	141,980	141,980	141,136	141,136

22 Capital redemption reserve

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance brought forward and carried forward	3,204	3,204	3,204	3,204

This reserve represents the nominal amount of the Company's own shares that have been purchased for cancellation. The amounts included in this reserve represent transfers from the Company's share capital account.

23 Share purchase reserve

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance brought forward and carried forward	92,054	92,054	92,054	92,054

On 24 June 1998, the Company obtained permission from the High Court to cancel its share premium account (in existence at that date) and set up a new distributable reserve, the share purchase reserve, against which the cost of purchasing the Company's own shares for cancellation can be debited.

24 Share option reserve

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance brought forward	4,560	4,560	2,675	2,675
Fair value charge re performance shares and options issued	2,483	2,483	1,885	1,885
Deferred tax on performance shares and options	224	–	–	–
Balance carried forward	7,267	7,043	4,560	4,560

The Group's share option reserve represents the fair value amounts in respect of options issued that have been charged through the income statements of SVG Advisers Limited and SVG Advisers Inc, as well as related deferred tax. The Company's share option reserve represents the corresponding amount included in SVG Capital's accounts as a contribution to subsidiaries (note 15).

25 Capital reserves

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance brought forward	755,245	755,901	565,219	566,644
Profit for the year	131,124	129,572	190,026	189,257
Balance carried forward	886,369	885,473	755,245	755,901

This reserve represents cumulative capital profits. As an investment trust (defined by the Income and Corporation Taxes Act 1988), the Company is prohibited by its Articles of Association from distributing as dividend any surpluses arising from the realisation of investments.

26 Revenue reserve

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Balance brought forward	19,071	14,861	1,099	3,995
Dividend	(10,411)	(10,411)	(3,985)	(3,985)
Profit for the year	20,970	9,950	21,957	14,851
Balance carried forward	29,630	14,400	19,071	14,861

As an investment company (defined by the Companies Act 1985, as amended), the Company's revenue reserve represents its profits available for distribution.

Notes to the accounts continued

27 Net asset value per ordinary share ("Shareholders' funds")

	31 December 2007		31 December 2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Basic	934.5p	922.8p	831.4p	828.9p
Diluted	902.5p	891.5p	810.1p	807.5p

Calculation of the net asset values per share are based on Group net assets attributable to equity shareholders of the parent of £1,299,601,000 (31 December 2006: £1,154,080,000), Company net assets of £1,283,251,000 (31 December 2006: £1,150,526,000) and on 139,064,434 (31 December 2006: 138,810,137) ordinary shares in issue at the year end.

The Group diluted net asset values per share assume that share options and performance shares (note 20) with a strike price lower than the undiluted net asset value per share are exercised at the balance sheet date. This would result in the issue of 9,227,167 ordinary shares (31 December 2006: 8,516,208) for consideration of £38,732,000 (31 December 2006: £39,346,000).

The Company diluted net asset values per share assume that share options and performance shares (note 20) with a strike price lower than the undiluted net asset value per share are exercised at the balance sheet date. This would result in the issue of 9,227,167 ordinary shares (31 December 2006: 7,821,277) for consideration of £38,732,000 (31 December 2006: £33,568,000).

Therefore, the calculation of the diluted net asset value per share of the Group is based on Group net assets attributable to equity shareholders of £1,338,333,000 (31 December 2006: £1,193,426,000), and on 148,291,601 (31 December 2006: 147,326,345) ordinary shares in issue at the year end. The diluted net asset per share of the Company is based on Company net assets of £1,321,983,000 (31 December 2006: £1,184,090,000) and on 148,291,601 (2006: 146,631,414) ordinary shares.

28 Reconciliation of profit before tax to net cash inflow from operating activities

	Year ended 31 December 2007 Group £'000	Year ended 31 December 2007 Company £'000	Year ended 31 December 2006 Group £'000	Year ended 31 December 2006 Company £'000
Profit before tax	153,376	135,428	215,239	207,208
Adjustments for:				
Gains on investments	(113,421)	(112,236)	(198,038)	(197,214)
Exchange losses/(gains) on other items	(17,501)	(17,091)	6,846	6,683
Finance costs	13,633	13,633	6,300	6,300
Depreciation of property, plant and equipment	334	–	247	–
Share option expense	2,483	–	1,885	–
Operating cash flows before movements in working capital	38,904	19,734	32,479	22,977
(Increase)/decrease in receivables	1,845	560	(8,497)	(1,162)
Increase/(decrease) in payables	1,719	122	4,219	714
Cash generated by operations	42,468	20,416	28,201	22,529
Taxes (paid)/recovered	(5,141)	(328)	(5,299)	(2,215)
Interest paid	(10,844)	(10,844)	(2,902)	(5,299)
Net cash from operating activities	26,483	9,244	20,000	15,015

Purchases and sales of investments are considered to be investing activities rather than operating activities.

29 Analysis of changes in net cash/(debt)

For the year ended 31 December 2007 Group	Cash and cash equivalents £'000	Short-term debt £'000	Long-term debt £'000	Net cash/(debt) £'000
Balance brought forward	295,468	–	(106,330)	189,138
Foreign exchange movements	18,799	–	(2,922)	15,877
Amortisation of issue costs	–	–	(198)	(198)
Cash flow	(130,780)	–	(108,687)	(239,467)
Balance carried forward	183,487	–	(218,137)	(34,650)

For the year ended 31 December 2006 Group	Cash and cash equivalents £'000	Short-term debt £'000	Long-term debt £'000	Net cash/(debt) £'000
Balance brought forward	205,006	–	(42,989)	162,017
Foreign exchange movements	(12,083)	–	5,739	(6,344)
Debt conversion	–	–	42,989	42,989
Amortisation of issue costs	–	–	(71)	(71)
Cash flow	102,545	–	(111,998)	(9,453)
Balance carried forward	295,468	–	(106,330)	189,138

For the year ended 31 December 2007 Company	Cash and cash equivalents £'000	Short-term debt £'000	Long-term debt £'000	Net cash/(debt) £'000
Balance brought forward	283,874	–	(106,330)	177,544
Foreign exchange movements	18,389	–	(2,922)	15,467
Amortisation of issue costs	–	–	(198)	(198)
Cash flow	(149,847)	–	(108,687)	(258,534)
Balance carried forward	152,416	–	(218,137)	(65,721)

For the year ended 31 December 2006 Company	Cash and cash equivalents £'000	Short-term debt £'000	Long-term debt £'000	Net cash/(debt) £'000
Balance brought forward	170,102	–	(42,989)	127,113
Foreign exchange movements	(11,920)	–	5,739	(6,181)
Debt conversion	–	–	42,989	42,989
Amortisation of issue costs	–	–	(71)	(71)
Cash flow	125,692	–	(111,998)	13,694
Balance carried forward	283,874	–	(106,330)	177,544

Notes to the accounts continued

30 Related party transactions

Nicholas Ferguson and Andrew Williams are members of the Advisory Committees of certain of the Permira funds in which the Company invests. They do not receive fees for these services.

Nicholas Ferguson and members of his family and Andrew Williams have an interest in the Carried Interest in respect of certain private equity funds. With the introduction of the Executive Share Option Plan in May 2001, Nicholas Ferguson and Andrew Williams gave up a portion of their entitlement to Carried Interest on existing private equity funds and any entitlement they may have to Carried Interest on certain private equity funds launched after 2001 in return for share options granted by the Company under the Executive Share Option Plan. Nicholas Ferguson and Andrew Williams also participate in the Schroder Ventures Co-Investment Scheme and Schroder Ventures Investments Limited. They have received no new carried interest allocations and made no new commitments since they joined SVG Capital in 2001.

As detailed in the Remuneration Report, the Company's Chief Executive, Andrew Williams, is employed by Schroder Investment Management Limited and is a member of Schroders Retirement Benefits Scheme. Mr Williams is seconded to SVG Advisers, which pays all the costs of his employment.

Damon Buffini has an interest in 6 million SVG Capital shares since he has an interest in Permira Holdings Limited, the parent of Permira Capital Limited which owns 6 million SVG Capital shares. Further, Permira Holdings Limited is a party to an operating agreement with the Company dated 21 March 2005 (more particularly described in a Circular to shareholders dated 24 March 2005) pursuant to which (a) the SVG Capital Group has committed to be the major investor in future funds designed, managed or advised by entities in the Permira Group and during the term of that agreement is entitled to access to such funds; and (b) SVG Capital Group has agreed not to commit to any private equity fund or product for direct investment, other than agreed commitments to other private equity funds and Japan funds, which are not designed, managed or advised by entities in the Permira Group. As a result of Mr Buffini's interest in the Permira entities described above, Mr Buffini will not participate in any decisions relating to commitments made, or which may be made, by the SVG Capital Group to any funds or products designed, managed or advised by entities in the Permira Group.

The interests of Directors in SVG Capital's shares are detailed in the Report of the Directors on page 31. In addition, certain Directors also have an interest in funds managed or advised by the SVG Capital Group, as detailed below:

Director*	Investment in SVG Funds
Damon Buffini**	– 5,000,000 shares in SVG Diamond Private Equity III plc
Nicholas Ferguson	– 300,000 shares in Sapphire IV PCC Limited
Anthony Habgood	– 400,000 shares in SVG Diamond Private Equity III plc
	– 20,000 shares in Strategic Equity Capital plc
Denis Raeburn	– 500,000 shares in SVG Diamond Holdings II Limited
	– 1,000,000 shares in SVG Diamond Private Equity III plc
Charles Sinclair	– 200,000 shares in Sapphire IV PCC Limited
	– 250,000 shares in Schroder Private Equity Fund of Funds III plc
	– 900 shares in SVG UK Focus Fund
	– 100,000 shares in SVG Diamond Holdings II Limited
	– 150,000 shares in SVG Diamond Private Equity III plc
Andrew Williams	– 1,000,000 shares in SVG Sapphire IV Limited

* Including beneficial interests of spouses and dependant children.

** Mr Buffini has an indirect interest in this investment, which is held by Permira Group Investments Limited.

No other Director has any material interest in any other contract that is significant to the Company's business.

The Directors are the only key management personnel of the Company. Details of their remuneration are included in the Remuneration Report.

The Company invests in a number of funds for which its subsidiary companies, SVG Advisers Limited ("SVGA") or SVG Investment Managers Limited ("SVG IM"), act as either investment adviser or investment manager and receive fees for their services. The following table details funds managed or advised by SVG IM or SVGA that are also part of SVG Capital's investment portfolio.

30 Related party transactions continued

Investment	Manager/Adviser	Uncalled commitment £m	Valuation £m
Permira feeder vehicles:			
P123	SVG IM/ SVGA	7.1	55.2
P1234	SVGA	5.7	48.3
P25	SVGA	55.1	43.5
SVG Sapphire IV	SVGA	7.2	1.8
Generalist funds of funds:			
SVG Diamond Holdings	SVGA	40.3	20.4
SVG Diamond Holdings II	SVGA	47.1	3.5
SVG Diamond Holdings III	SVGA	35.3	7.0
Key Capital SVG CLO Equity Fund	Key Capital/SVGA	–	25.6
Key Capital SVG CLO Equity Fund II	Key Capital/SVGA	9.5	5.1
Other investments:			
SVG India LP	PEIAL*	18.1	9.1
Public equity vehicles:			
SVG Focus Fund	SVG IM	–	7.6
SVG Alpha Fund	SVG IM	–	5.0
SVG European Fund	SVG IM	–	7.2
Strategic Equity Capital plc	SVG IM	–	10.4
Strategic Recovery Fund II co-investment	SVG IM	16.5	9.4

* Private Equity Investment Advisers Limited ("PEIAL") is a joint venture investment advisory company based in Mauritius in which SVGA holds a 50% interest in the equity shares.

Aegon is the largest investor in SVG Capital plc and also invests in a number of other funds advised by SVGA.

The Company has warehoused various private equity fund investments for subsequent transfer to SVG Diamond Private Equity Holdings III Limited ("Diamond III"), SVG Asia Fund of Funds plc ("SVG Asia") and Key Capital SVG CLO Equity Fund II ("CLO II"), as well as additional fund opportunities. SVG Capital plc is or is expected to be a significant investor in these funds, which are also advised by SVGA. Diamond III closed on 17 May 2007, the CLO II had a first close in December 2007 and SVG Asia had a first close on 21 February 2008. All funds warehoused by SVG Capital plc that have been transferred to date have been transferred at fair value, which in most cases is simply cost plus an interest charge.

During the year the Company had invested in 16 primary commitments to private equity funds for the Diamond III warehouse. Diamond III closed on 17 May 2007 and all of these funds were subsequently transferred for total consideration of £66.4 million, including interest of more than £2.6 million.

On close of Diamond III, SVG Managers ("SVGM") made a commitment to purchase 21,138,000 shares, with an initial 20% call of €4,277,600. This was financed by a loan from SVG Capital, which provided a facility of up to €5,000,000 at an interest cost of 5% per annum. At 31 December 2007 the amount outstanding on the loan was €1,391,600 and SVGM held 6,958,000 Diamond III shares. Interest payable on the loan amounted to €86,000. SVGM charged a fee of £60,000 to SVGA for providing a facility to warehouse Diamond III equity.

At 31 December 2007 the Company had purchased five CLO funds for a total net cost of €18.4 million. A portion of each of these funds, with a net cost of €11.9 million, were transferred to CLO II in January 2008 for total consideration of €11.9 million.

At 31 December 2007 the Company had made primary commitments to two private equity funds that are expected to be transferred to SVG Asia Fund of Funds plc. The total cost of these investments at the year end was £1.8 million, with unfunded commitments of £5.7 million. In February 2008, the Company made a US$25 million commitment to SVG Asia Fund of Funds plc.

At 31 December 2007 the Company had made primary commitments to seven private equity funds that are being warehoused for future product launches. The total net cost of these investments at the year end was £9.7 million, with unfunded commitments of £69.6 million.

During the year SVG Capital sold 4 million shares in the Schroder Private Equity Fund of Funds III at NAV plus interest to a third party. A further 1 million shares are held as warehoused investments, with an unfunded commitment of €0.6 million.

During the year SVGA received €1.6 million of SVG Diamond Holdings Limited Loan Notes and €1.0 million of Diamond II Loan Notes, as part of its ongoing investment advisory fee arrangements. These Notes were purchased from SVGA by SVG Capital plc at par value on the date of issue, as the holding of investments is the main activity of the parent company.

During the year the Company advanced a loan of £624,000 to SVG Investment Managers Limited, a wholly-owned subsidiary. Interest of 5% per annum is payable on the loan.

SVG Capital receives certain advisory and administrative services from SVGA in return for a fee of 0.5% p.a. of gross assets. The fees payable in respect of these services for the year ended 31 December 2007 amounted to £6.4 million (2006: £4.0 million).

During the year the Company increased its investment in KC II, a Dublin-based corporate finance company, by £3.4 million. The Company holds 29.9% of the issued shares of KC II (24.9% on a diluted basis).

The 'Diamond Investment Scheme' was formally executed in the year. This enabled external Advisory Committee Members to purchase shares in Diamond I & II from SVG Capital, as previously agreed. Likewise Diamond II shares were made available to SVGA staff. The shares remain in the name of SVG Capital but are held on trust for the beneficiaries. A total of 1,035,000 Diamond I shares were sold at NAV to the Advisory Committee. A further 3,090,000 Diamond II shares were sold at NAV to staff and Advisory Committee members.

During the year the Company received a dividend of £0.4 million (2006: £55.9 million) from the Platinum Trust. There were no other distributions paid by subsidiaries during the year.

Related party transactions during the year were made on terms equivalent to those that prevail in arm's length transactions.

Notes to the accounts continued

31 Risk

Financial instruments and risk profile

The Company's primary investment objective is to achieve capital appreciation by investing principally in private equity funds which are managed or advised by Permira, a leading international private equity specialist. These investments are typically illiquid. In addition, the Company holds money market instruments, cash and short-term deposits and various items such as debtors and creditors that arise directly from its operations. These financial instruments held by the Company are generally liquid.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of revenue profits available for dividend.

As an investment trust, the Company invests in securities for the long-term. The Company has not taken out any derivatives contracts to date, other than the interest rate swap agreements referred to in note 18, which are used to hedge against fluctuations in interest rates with respect to the floating rate Senior Notes in issue.

Further details regarding the risks faced by the Company are explained in the Business Review on pages 22 and 23.

Financial instruments

(a) Financial assets of the Group

	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Currency denomination of assets at 31 December 2007:				
Sterling	34,273	–	148,024	182,297
Euro	62,874	84,847	840,683	988,404
US dollar	1,493	–	180,057	181,550
Japanese yen	–	–	15,609	15,609
Singapore dollar	–	–	44,267	44,267
Hong Kong dollar	–	–	106,620	106,620
Indian rupee	–	–	27,337	27,337
Canadian dollar	–	–	2,016	2,016
	98,640	84,847	1,364,613	1,548,100

	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000 (restated)	Total £'000 (restated)
Currency denomination of assets at 31 December 2006:				
Sterling	13,680	–	139,576	153,256
Euro	38,769	240,753	541,160	820,682
US dollar	2,266	–	224,093	226,359
Japanese yen	–	–	20,514	20,514
Singapore dollar	–	–	34,179	34,179
Hong Kong dollar	–	–	–	–
Indian rupee	–	–	17,814	17,814
Canadian dollar	–	–	3,835	3,835
	54,715	240,753	981,171	1,276,639

Comparative figures have been re-analysed to show a more detailed break-down of underlying currency exposures.

Non-interest bearing assets represent non-monetary items such as the Group's investment portfolio, warehoused assets and other short-term debtors. Floating rate financial assets consist of cash at bank, short-term deposits and AAA-rated money market funds. Fixed rate financial assets comprise euro-denominated Treasury Bills, which have a known yield to redemption if held to maturity. All financial assets are included at fair value.

(b) Financial liabilities of the Group

The Company issued £113 million of Senior Notes during the year and has £218 million of Senior Notes outstanding at the year end. The Company does not have any other borrowings at the balance sheet date, although it does have in place a loan facility of €750 million with The Royal Bank of Scotland plc, The Bank of Scotland plc and Bayerische Hypo-und Vereinsbank AG. At 31 December 2007 the loan facility was utilised to guarantee the Company's uncalled commitments to Diamond I and Diamond II, amounting to £90.8 million.

The level of borrowing will impact on the Group's performance by amplifying the effect of movements in the valuation of the investment portfolio. It should also be noted that fund investments and underlying investee companies may also utilise borrowings to varying degrees. This is particularly the case with respect to CLO funds and structured private equity funds of funds, which are highly leveraged vehicles.

31 Risk continued

Risks

The main risks arising from the Company's financial instruments are considered to be commitment risk and valuation risk. The Board reviews and agrees policy for managing these and other risks as summarised below.

Commitment/liquidity risk

The nature of investing in buy-out and development capital funds entails making significant financial commitments, as shown in note 19. At 31 December 2007, the Group had significant uncalled commitments of £1,559.7 million (2006: £1,840.3 million), compared to Shareholders' funds of £1,299.6 million (2006: £1,154.1 million).

It is anticipated that over the longer term, and in normal circumstances, commitments would be financed by distributions received on the realisation of existing investments. In addition, the Group had a €750 million loan facility at the year end that could be drawn on to meet commitments as they fall due. However, a residual risk remains that the Group could be unable to meet its future commitments in full. If as a consequence of a failure to pay a call, the Company is treated as a defaulting investor to the relevant Fund, it will suffer a resultant dilution in interest and possibly the compulsory sale of its interest.

The Board manages liquidity risk by regularly and rigorously reviewing cash flow forecasts and available funding options. Commitments to fund investments are reviewed by the Investment Committee and approved by the Board.

Valuation/market price risk

The Company's exposure to valuation risk comprises mainly movements in the value of its underlying investments. A breakdown of the Fund portfolio is given on pages 26 and 27 and a detailed analysis of the 20 largest underlying companies is given on pages 18 to 21. In accordance with the Company's accounting policies, set out on pages 54 to 57, all underlying investments are valued at fair value by the Directors in accordance with the current International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. The IPEVC Guidelines contain detailed methodology setting out best practice with respect to valuing unquoted investments. It should be noted that a large proportion of the Company's underlying investee companies are expected to be unquoted and therefore the valuation of such companies involves exercising judgement. The Company does not hedge against movements in the value of these investments. Uncertainty arises as a result of future changes in the valuation of the Company's underlying investments, the majority of which are unquoted, and the effect changes in exchange rates may have in the sterling value of these investments. Development-stage equity investments and early-stage equity investments, by their nature, involve uncertainty as to the ultimate value likely to be realised on the disposal of those investments, particularly as their unquoted nature means that a ready market may not exist for them.

The Company's sensitivity to valuation risk will be affected by changes in the Company's levels of borrowing and liquidity, as approved by the Board. It will also be affected by leverage in the funds in which we invest and the local currency denomination of such funds, which is considered separately under currency risk.

At 31 December 2007, a 10% movement in the valuation of the Group's aggregate investments designated as fair value through profit and loss, would result in a 10.2% change in shareholders' funds.

Valuation risk will be affected by leverage in the underlying investee companies. A sensitivity analysis has been performed on the valuations of the 20 largest underlying investee companies, which had an aggregate valuation (before providing for carried interest) of £1,157.0 million or 85.0% of the gross private equity portfolio valuation (2006: £836.9 million or 80.2%), the results of which are set out in the table below.

	Fair value £ millions	Hypothetical fair value (10% uplift)* £ millions	Hypothetical fair value (10% write-down)* £ millions
31 December 2007			
Gross valuation of 20 largest investee companies	**1,157.0**	**1,370.2**	**936.8**
Change in valuation/effect on income		**+18.4%**	**–19.0%**
31 December 2006			
Gross valuation of 20 largest investee companies	836.9	972.6	691.4
Change in valuation/effect on income		+16.2%	–17.4%

* All investments are included in the balance sheet at fair value. Quoted companies are valued based on market prices and recently acquired unquoted investments may be carried at cost. For such investments, a 10% movement in the valuation basis will have a 10% impact on fair value. For unquoted investments valued on a different basis, such as earnings-related, a 10% movement in the earnings of the investee company will not necessarily result in a 10% change in fair value, because of other factors such as the level of debt utilised by the investee companies.

The Board manages valuation risk by reviewing and approving the valuation of the private equity fund portfolio.

Holdings risk

In certain circumstances, the Company may wish to transfer its holdings in particular funds. In a majority of the funds in which the Company will invest, the general partner, trustee or manager has the ultimate right, similar to that exercisable by a board of a private company, to refuse to register the transfer of an interest. While the Company has no reason to believe that any request for the transfer of an interest would be refused, it is of course conceivable that the general partner's, trustee's or manager's overriding fiduciary duty could result in its refusing to register a particular transfer proposed by the Company.

Concentration risk

The Directors believe that the diversified nature of the underlying investments in the Company's private equity fund portfolio reduces the risks normally associated with making investments in the buy-out and development capital markets. However, it should be noted that, in accordance with its stated investment objective, the Company intends to focus its investments principally in private equity funds that are managed or advised by Permira. As outlined in note 8, the future performance of the Company will therefore be largely dependent on the future performance of the Permira Funds in which we invest (see notes 19 and 32 for an indication of the Company's exposures). The Directors believe that this represents an opportunity, but investors should also be aware that greater concentration of the investment portfolio also presents a risk.

31 Risk continued

Interest rate risk

The Company's revenue will be affected by changes in prevailing interest rates since a large portion of its income ordinarily derives from money market instruments and bank deposit interest. It also pays interest on its Senior Notes and drawings on the loan facility that may be taken out from time to time.

The Company's primary objective is to achieve capital returns from its investments and, as such, the main exposure to interest rate risk is indirect, through its impact on the valuation of the private equity funds, although it is not possible to quantify such effects. Interest rates are one of the key determinants of economic growth. At a more specific level, interest rates and credit spreads also have an important role in the ability of private equity funds to secure profitable deals, as many transactions are partly financed by debt. The effect of interest rate changes on the valuation of investments and debt forms part of valuation risk, which is considered separately.

At 31 December 2007, the Company held investments in AAA-rated money market funds valued at £56.8 million (2006: £47.7 million), earning interest at market rates. The money market funds are redeemable on less than 24 hours notice. Other floating rate financial assets comprised cash at bank or short-term deposits.

At 31 December 2007, the Company held investments in short-dated euro-denominated treasury bills valued at £84.8 million (2006: £240.8 million), earning interest at a weighted average rate of 3.8%. The treasury bills had maturity dates ranging from 10 January 2008 to 29 February 2008 with a weighted-average maturity of 39 days.

At 31 December 2007, the Company had £218.1 million of Senior Notes in issue (see note 18). Interest rate risk on the Senior Notes is mitigated as most of the Notes pay fixed rates of interest and swap agreements have been taken out with respect to the floating rate notes. The weighted-average interest rate payable on the Notes and the swaps amounted to 6.65% at 31 December 2007. The timing of the cash flows in respect of the interest rate swaps exactly matches those of the floating rate notes that are being hedged. All interest payments on the Senior Notes are effectively fixed and the Company considers that the swaps are effective in providing a hedge against interest rate risk. The fair value of the interest rate swaps included in the balance sheet amount to £33,000 at 31 December 2007 and have been valued by The Royal Bank of Scotland plc, the swap counterparty.

Currency risk

The Company is exposed to currency risk directly since the majority of its assets and liabilities are denominated in foreign currency and their sterling value can be significantly affected by movements in foreign exchange rates. The Company does not normally hedge against foreign currency movements affecting the value of its investments, but takes account of this risk when making investment decisions. However, the Company has issued Senior Notes of US$345 million and €40 million, respectively, which act as a partial hedge against assets denominated in those currencies. The Company also has a €750 million loan facility which, if drawn, would act as a hedge against the currency risk on the value of its euro-denominated assets.

A sensitivity analysis has been performed on the valuations on the effect of exchange rate fluctuations on the value of shareholders' funds, the results of which are set out in the table below.

	Equity shareholders' funds £ millions	Hypothetical value (10% £ depreciation)* £ millions	Hypothetical value (10% £ appreciation)* £ millions
31 December 2007			
Equity shareholders' funds	1,299.7	1,414.8	1,184.7
Change in shareholders' funds/effect on income		+8.9%	–8.9%
31 December 2006			
Equity shareholders' funds	1,154.1	1,257.8	1,050.4
Change in shareholders' funds/effect on income		+9.0%	–9.0%

32 10 largest fund investments (by value)

	Manager/Adviser	2007 £'000	2006 £'000
Permira IV	Permira	522,952	119,423
Permira Europe III	Permira	233,871	237,843
Permira Europe II	Permira	101,734	215,260
Schroder Ventures Asia Pacific Fund	Symphony Capital Partners	61,911	56,284
P123	SVGA	55,163	63,894
P1234	SVGA	48,256	36,723
P25	SVGA	43,508	32,938
Vintage I	Mizuho	35,218	–
Key Capital SVG CLO Equity Fund	Key Capital/ SVGA	25,574	10,106
SV Life Sciences Fund III	SV Life Sciences Advisers	22,938	22,600
		1,151,125	795,071

Company summary

The Company

SVG Capital plc is a private equity investor and fund management business listed on the London Stock Exchange. SVG Capital plc carries on business as an investment trust. Investment trust companies are able to switch investments without liability for capital gains tax. This, together with the advantages of professional management and spread of risk, makes investment trusts a valuable investment medium.

In order to obtain exemption from capital gains tax the Company conducts itself with a view to continuing as an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The Company is not a close company for taxation purposes.

Information for shareholders

The Company's shares are listed on the London Stock Exchange. The stock exchange code for the shares is SVI. The price of the shares is quoted daily in The Financial Times, The Daily Telegraph and The Times.

The net asset value is calculated at 30 June and 31 December each year following an extensive valuation procedure. Due to the nature of the Company's investments, it is not practical to publish the net asset value on a more frequent basis.

A factsheet containing information including the diversification of the portfolio and the Company's largest investments is published quarterly and is available on request from the Company Secretary.

Capital gains tax information

For disposals of shares in the 2007/2008 tax year, the annual capital gains (after adjusting for indexation and taper relief) of private individuals in excess of £9,200 are assessed for capital gains tax at the individual's marginal tax rate. Capital gains on shares disposed of by individuals may be eligible for taper relief. The taper reduces the amount of a chargeable gain according to how long the asset has been held for periods after 5 April 1998. Where shares were acquired before 6 April 1998, the capital gain will also be reduced by indexation allowance for the period up to April 1998, but not thereafter.

For disposals of shares in the 2008/2009 tax year, the annual capital gains of private individuals in excess of £9,600 will be assessed for capital gains tax. No relief for indexation or taper relief will be available, but gains are taxed at a flat rate of 18%.

For the benefit of those shareholders who acquired their holdings in exchange for their interests in Schroder Ventures' funds, the acquisition cost of the shares for capital gains tax purposes based upon initial dealings on 23 May 1996 was as follows:

Each ordinary share of £1.00: £1.915

Schroder investment trust dealing service

The Schroder investment trust dealing service provides a convenient and cost effective means of investing in the ordinary shares of the Company. The service offers investors:

- a regular investment option from a minimum of £50 per month;
- a lump sum investment option from a minimum of £1,000;
- daily dealing;
- competitive charges; and
- the option to reinvest income.

If you would like further information on the Schroder investment trust dealing service, please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Equiniti Registrars on 0871 384 2776 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' charges may vary).

Individual Savings Account – Schroder maxi ISA plan

The Schroder ISA offers investors:

- lump sum investments in the ordinary shares of the Company from a minimum of £1,000 to a maximum of £7,000 in the current tax year;
- a regular investment option from a minimum of £50 per month;
- competitive charges;
- the option to reinvest income; and
- the option to include other trusts.

If you would like further information about the Schroder maxi ISA, please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

Registrar services

Communications with shareholders are mailed to the address held on the share register. Any notifications and enquiries relating to registered share holdings, including a change of address or other amendment should be directed to Equiniti Registrars at PO Box 28448, Finance House, Orchard Brae, Edinburgh EH4 1WQ. The helpline telephone number of Equiniti Registrars is 0871 384 2776 (calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' charges may vary).

Equiniti Limited maintains a web-based enquiry service for shareholders. Currently the 'Shareview' site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding.

Visit www.shareview.co.uk for more details.

Notice of Annual General Meeting

This notice of meeting contains important information and requires your attention. If you are in any doubt as to what action to take you should consult with an appropriate adviser.

NOTICE is hereby given that the twelfth Annual General Meeting of SVG Capital plc will be held at 12.00 noon on Wednesday, 7 May 2008 at 111 Strand, London WC2R 0AG, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 10 will be proposed as Ordinary Resolutions and resolutions 11 to 13 will be proposed as Special Resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 December 2007.
2. To approve a final dividend of 6.5p per share for the year ended 31 December 2007.
3. To approve the Remuneration Report for the year ended 31 December 2007.
4. To re-elect Damon Buffini as a Director of the Company.
5. To re-elect Nicholas Ferguson as a Director of the Company.
6. To re-elect Francis Finlay as a Director of the Company.
7. To re-elect Anthony Habgood as a Director of the Company.
8. To re-elect Edgar Koning as a Director of the Company.
9. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to determine their remuneration.
10. To consider and, if thought fit, to pass the following resolution as an ordinary resolution: "That, in substitution for the authority granted at the Company's Annual General Meeting held on 10 May 2007, the Board be and is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985): (a) up to an aggregate nominal amount of £1,390,644 (equivalent to 1% of the issued ordinary share capital of the Company as at 2 April 2008) in connection with the SVG Capital plc Executive Share Option Plan 2001 and the SVG Capital 2007 Performance Share Plan; and (b) up to an aggregate nominal amount of £46,354,811 (equivalent to one-third of the issued ordinary share capital of the Company as at 2 April 2008), which authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (unless previously revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired."
11. To consider and, if thought fit, to pass the following resolution as a special resolution: "That, in substitution for the authority granted at the Company's Annual General Meeting held on 10 May 2007, the Board be and is hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash, pursuant to the authority conferred by resolution 10 above, as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to: (a) the allotment of equity securities up to an aggregate nominal amount of £1,390,644 (equivalent to 1% of the issued ordinary share capital of the Company as at 2 April 2008) in connection with the SVG Capital plc Executive Share Option Plan 2001 and the SVG Capital 2007 Performance Share Plan;
(b) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and (c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £13,906,443 (equivalent to 10% of the issued ordinary share capital of the Company as at 2 April 2008), and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired."
12. To consider and, if thought fit, to pass the following resolution as a special resolution: "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares of £1.00 each in the capital of the Company ("Shares"), provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 20,845,758 (equivalent to 14.99% of the issued ordinary share capital of the Company as at 2 April 2008);
    (b) the minimum price which may be paid for a Share is £1.00;
    (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
    (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless such authority is renewed prior to such time; and
    (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."
13. To consider and, if thought fit, to pass the following resolution as a special resolution: "That, with effect from the end of the meeting, the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association."

Registered office
31 Gresham Street London EC2V 7QA

By Order of the Board
Schroder Investment Management Limited
Company Secretary

2 April 2008

Explanatory notes and additional information

1. In common with many UK listed companies, it is necessary to amend the Company's Articles of Association to reflect the changes to UK company law made by the Companies Act 2006. Many provisions of the new Companies Act which will have an impact on the Company's Articles of Association will be brought into force in 2009 and we therefore plan to propose a number of amendments to the Company's Articles of Association at next year's Annual General Meeting. However, to ensure compliance with the provisions of the Companies Act 2006 coming into force on 1 October 2008, we are asking shareholders at this year's Annual General Meeting to approve an amendment of the Company's Articles of Association relating to the way in which the Company deals with any actual or potential conflicts of interest of directors.

   The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The amended Articles will give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

   There are safeguards that will apply when the directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

   It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

2. A blacklined version of the proposed new Articles of Association are available from the Company Secretary and will be available for inspection by any member of the Company at the registered office of the Company, 31 Gresham Street, London EC2V 7QA, during normal business hours on any weekday (English public holidays excepted) and by any person attending the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

3. An ordinary shareholder is entitled to attend and vote at the meeting and is entitled to appoint one or more proxies to attend and vote instead of him provided that each proxy is appointed to exercise the rights attached to (a) different share(s) held by such member.

4. A proxy need not be a member of the Company. Forms appointing proxies must be completed and returned to the Company's registrar, Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR not later than 48 hours before the time fixed for the meeting. Completion and return of a form of proxy will not preclude a member from attending and voting in person.

5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those Shareholders registered in the Register of members of the Company at 6.00 p.m. on 5 May 2008 shall be entitled to attend and vote at the meeting in respect of the number of Shares registered in their name at that time. Changes to the Register of members after 6.00 p.m. on 5 May 2008 shall be disregarded in determining the right of any person to attend and vote at the meeting.

6. As at 2 April 2008, 139,064,434 ordinary shares of £1.00 each were in issue, none of which were held as treasury shares. Accordingly, the total number of voting rights of the Company as at 2 April 2008 was 139,064,434.

7. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company, 31 Gresham Street, London EC2V 7QA, during normal business hours on any weekday (English public holidays excepted) and by any person attending the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting. None of the Directors has a contract of service with the Company.

8. The profile of each Director offering himself for re-election is set out on pages 28 and 29 of the annual report and accounts of SVG Capital plc for the year ended 31 December 2007.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting services provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Advisers

Head office

111 Strand
London WC2R 0AG
Telephone 020 7010 8900
Fax 020 7240 5346

www.svgcapital.com

Secretary and registered office

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone 020 7658 3206

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

The Royal Bank of Scotland plc
Corporate Banking Office
5–10 Great Tower Street
London EC3P 3HX

Bank of Scotland
Level 7
Bishopsgate Building
155 Bishopsgate
London EC2M 3YB

Registrar for ordinary shares

Equiniti Limited
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Telephone 0871 384 2776*

*calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

website www.shareview.co.uk

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Stockbrokers

UBS
1 Finsbury Avenue
London EC2M 2PP

Financial calendar

31 December	Company's year end
March	Preliminary results for the financial year announced
April	Annual Report published
May	Annual General Meeting
30 June	Company's half year
August	Half-yearly results announced
October	Half-yearly report published

Glossary

Early-stage

Seed:

- Financing provided to allow a business concept to be developed, perhaps involving production of prototypes and additional research, prior to bringing a product to market.

Start-up:

- Financing provided to companies for the use in product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but have not sold their product commercially.

Other early-stage:

- Financing provided to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales. They will not yet be generating profit.

Late-stage

Expansion financing:

- Capital provided for the growth and expansion of a company which is breaking even or even trading profitably. Funds may be used to finance increased production capacity, market or product development and/or provide additional working capital. Capital provided for turnaround situations is also included in this category.

Management Buy-Out (MBO):

- Funds provided to enable current operating management and investors to acquire an existing business.

Management Buy-In (MBI):

- Funds provided to enable a manager or group of managers from outside the company to buy into the company.

Follow-on investment

A company which has previously received private equity.

Secondary purchase

Purchase of existing shares in a company from another private equity firm, or from other shareholders.

Public to private

Purchase of the share capital of a company quoted on a stock exchange with the intention of de-listing the company and taking it private.

General Terms

Carried interest (“carry”)

Carried interest or simply ‘carry’ represents the share of a private equity fund’s profit (usually 20%) that will accrue to the general partners.

Committed funds (or “raised funds” or “committed capital”) Capital committed by investors. This will be requested or ‘drawn down’ by private equity managers on a deal-by-deal basis. This amount is different from invested funds for two reasons. Firstly, most partnerships will invest only between 80% and 95% of committed funds. Second, one has to deduct the annual management fee which is supposed to cover the cost of operation of a fund.

Distributions

Payments to investors after the realisation of investments of the partnership.

Divestments (or realisations or exits)

Exits of investments, usually via a trade sale or an IPO (Initial Public Offering) on a stock market.

Draw downs/calls

Payments to the partnership by investors in order to finance investments. Funds are drawn down from investors on a deal-by-deal basis.

Fund of funds

Private equity funds whose principal activity consists of investing in other private equity funds. Investors in funds of funds can thereby increase their level of diversification.

Gearing, debt/equity ratio or leverage the level of a company’s borrowings as a percentage of shareholder funds.

Hurdle rate

Arrangement that caps the downside risk for investors. It allows investors to get preferential access to the profits of the partnership. In the absence of reaching the hurdle return, general partners will not receive a share of the profit (carried interest). A hurdle rate of 10% means that the private equity fund needs to achieve a return of at least 10% before the profits are shared according to the carried interest arrangement.

Limited partnership

Most private equity firms structure their funds as limited partnerships. Investors represent the limited partners and private equity managers the general partners.

Realisation

The sale of an investment.

Secondary market

The secondary market enables institutional investors to sell their stakes in a private equity partnership before it is wound up.

Trade sale

Sale of the equity share of an investee company to another company.

Turnaround

A loss making company which can be successfully transformed into a profit maker.

Further information on our website

www.svgcapital.com

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SVG public equity

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SVG team

Contact us

Contact London
Contact Boston

E-communications for shareholders

SVG Capital would like to encourage shareholders to receive shareholder documents electronically, via our website or by email notification instead of hard copy format.

This is a faster and more environmentally friendly way of receiving shareholder documents.

The online 'Shareview' service from our registrar, Equiniti, provides all the information required regarding your shares.

Its features include:

- The option to receive shareholder communications electronically instead of by post
- Direct access to data held for you on the share register including recent share movements and dividend details
- The ability to change your address or dividend payment instructions online

To receive shareholder communications electronically in future, including all reports and notices of meetings, you just need the 'shareholder reference' printed on your proxy form or dividend notices, and knowledge of your registered address.

Please register your details free on:
www.shareview.co.uk / 0870 601 5366

Should you require further information, please visit:
www.svgcapital.com/investors/ecommunications
or contact investorrelations@svgcapital.com / 020 7010 8900

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