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## Press Release

For immediate release 4 March 2010

### **Preliminary unaudited results for the 12 months to 31 December 2009**

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#### **NAV growth of 30% since June and 7% over 2009**

##### **Highlights:**

- Increase in net assets per share of 30% in the second half to 222.9p (£697.6m); over the year net assets per share have increased by 7% (including the unaudited valuation of SVG Advisers of £77.2m – 24.7p per share)
- Shareholders' funds increased to £620.4m (excluding the unaudited valuation of SVG Advisers)
- Revolving credit facility renewed; terms agreed with the Company's banking syndicate for an extension until January 2013 and amendment to the facility
- Lynn Fordham appointed CEO; appointment of Andrew Sykes as an independent Non-Executive Director

##### **Investment portfolio**

- Portfolio company performance has continued to stabilise and in many instances is improving
- Significant deleveraging has had a positive influence on valuations
- SVG Capital's top 20 companies' aggregate attributable debt down by 18% at year end; action was taken in 2009 to reduce the Permira Funds' portfolio debt by over €4.5 billion
- Many portfolio companies showing meaningful improvement in year-on-year cash flow generation, in large part through operational measures and cost reductions

##### **SVG Advisers**

- 2009 was a year of transition and stabilisation for SVG Advisers; Tony Dalwood appointed as CEO in May
- External funds under management of €4.0 billion, investing in 180 funds managed by 96 private equity fund managers
- Valuation of £77.2m – (24.7p per share). Significant investment in the business planned in 2010 – 2011; unlikely to see full benefits of investment until 2012 – valuation prudent to reflect this

**Lynn Fordham, CEO of SVG Capital, commented:** “The overriding priority for 2009 has been to maintain and improve the strength of SVG Capital’s balance sheet to ensure the Company is underpinned by a robust financing structure and business platform from which it can grow.

“It has been encouraging to see that the quick and decisive action taken by Permira and the portfolio company management teams is beginning to bear fruit and with our net assets per share increasing by 30% since June.

“As our results show, the majority of the portfolio is well positioned to capitalise on a recovery and improving market conditions may also provide opportunities for Permira to realise some of the more mature investments within the portfolio.

“Last year we focused on stabilising the business – with the balance sheet now much stronger we can concentrate on the Company’s longer term investment strategy.”

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Copies of the press release and other corporate information can be found on the company website at:  
**<http://www.svgcapital.com>**

Forward-looking statements - The preliminary announcement contains certain forward-looking statements with respect to the portfolio of investments of SVG Capital and the operation of its subsidiaries. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

## **Chairman's statement**

2009 was a year of stabilisation and progress for SVG Capital. At the beginning of the year, we completed the strengthening of our balance sheet and our strategic review. During the year we had a successful management transition, with Lynn Fordham becoming CEO of SVG Capital and Tony Dalwood CEO of SVG Advisers, our 100% owned advisory company.

At the half year, while uncertainty remained, I was able to report that Permira was seeing signs of stabilisation in the performance of the companies in the portfolio. This has continued with many of the portfolio companies showing a meaningful improvement year on year in cash flow generation, in large part through operational measures and cost reductions. This, together with the significant deleveraging across the portfolio and the positive influence of public markets, has translated into a 30.4% increase of net assets per share since June and 7.1%<sup>1</sup> over the year to 222.9p (£697.6 million)<sup>2</sup> with shareholders' funds increasing to £620.4 million.

While 2009 marked an exceptionally subdued period in terms of private equity deal activity, the year has by no means been quiet for the sector. Private equity professionals reacted rapidly to the economic downturn by taking decisive action to safeguard and stabilise their underlying investments. General Partners have had to address not just the operations but also capital structures of many of their portfolio companies and where possible repurchase debt, reset covenants, agree extensions or waivers with their portfolio companies' creditors. While the debt markets appear to be improving, lending remains selective and cautious.

During 2009, the European Commission proposed a Directive on Alternative Investment Fund Managers (AIFMs) with 'the objective of creating a comprehensive and effective regulatory and supervisory framework for AIFMs at the European level'. The proposal, which is to be applied to both hedge funds and private equity, is being scrutinised by many UK public bodies including the Association of Investment Companies, the British Venture Capital Association and the Bank of England's Financial Markets Committee. We are supporting the campaigns to have the draft amended.

The fundamentals of the private equity asset class, which focuses on building, turning around and creating value within businesses, remain strong. A major independent research report on private equity sponsored by the World Economic Forum during the year, found that both productivity gains and growth were higher in private equity backed companies. Permira has a long track record of delivering performance improvements in its portfolio companies. Having adjusted operations and capital structures where necessary in 2009, the priority for Permira is to support its portfolio companies to capitalise on the slow economic recovery and resume or accelerate growth plans.

## **Board**

In 2009 we saw a number of changes to SVG Capital's Board composition with Damon Buffini, Anthony Habgood and Andrew Williams stepping down from the Board in the first half. Since the year-end we have also announced that Gary Steinberg has resigned from the Board following his appointment to a new role with the International Monetary Fund in Washington D.C.. We would like to thank all four Directors for their important contributions to the Board.

In February 2010, the Company announced the appointment of Andrew Sykes to the Board as an independent non-executive Director with effect from 8 February 2010 and his election will be proposed at the forthcoming AGM. Andrew will bring valuable experience to the Board and on behalf of the Directors I welcome him.

## **Circular to shareholders**

We are asking shareholders to approve the Company adopting new Articles of Association primarily to reflect the implementation of the Shareholder Rights Directive in the UK in August 2009 and the provisions of the Companies Act 2006 and certain amendments to the Uncertificated Securities Regulations 2001 in October 2009. An explanation of the main changes between the proposed and the existing Articles of Association is set out in Part III of the Notice of Annual General Meeting Circular (the "Circular") which will be posted to shareholders in due course.

One of the effects of the New Articles would be to change the borrowing limit set out in the Company's Investment Policy which shareholders would therefore be approving as part of approving the adoption of the New Articles. The change reflects the way the borrowing limit has in practice been applied by the Company and, therefore, the Board does not consider this to be a material change.

**Annual General Meeting**

The Annual General Meeting will be held at 11.30am on 21 April 2010 at 61 Aldwych, London WC2B 4AE. As in previous years it will include a presentation on the activities of the Company.

We are very grateful to all our employees and shareholders for your stalwart support during the last year. SVG Capital is now able to look to the future with positive expectations for 2010 and beyond.

Nicholas Ferguson  
Chairman

## Chief Executive's statement

The overriding priority for 2009 has been to maintain and improve the strength of SVG Capital's balance sheet. This was to ensure the Company is underpinned by a robust financing structure and business platform from which it can grow. With the restructuring of the balance sheet completed in the first half of the year, we were able to focus on the renewal of the revolving credit facility, and we have recently agreed terms with our banking syndicate for a two year extension until January 2013 and amendment to our facility.

Much of the future value of SVG Capital will be driven by the returns generated by Permira IV (41%<sup>3</sup> of the investment portfolio). To this end, we have spent a significant amount of time with the team at Permira getting more visibility on their actions to protect and recover value in the latest fund. It has been encouraging to see that the quick and decisive action taken is beginning to bear fruit and the value of investment portfolio has increased by 22.5% since June and 6.1% over the year. In constant currencies, these gains become 18.9% and 13.2% respectively.

### Investment portfolio

In line with our stated investment policy the vast majority of our investment portfolio is made up of funds managed or advised by Permira.

Permira reacted early to the downturn by working with the portfolio company management teams to implement appropriate cost structures and promote operational improvements in an effort to mitigate the impact of earnings declines. As our results show, the majority of the portfolio is well positioned to capitalise on a recovery.

A clear priority has been the de-risking of the capital structures of underlying portfolio companies. Action was taken in 2009 to reduce the Permira Funds' portfolio debt by over €4.5 billion, including €2.5 billion of debt from Permira IV portfolio companies. Taking SVG Capital's top 20 companies, attributable debt is down 18%<sup>4</sup> over the year and whilst the gearing risk on the portfolio has been reduced, further de-risking of the portfolio remains a key focus.

Improving market conditions may also provide opportunities for Permira to realise some of the more mature investments within the portfolio and we expect distributions to slowly pick up over the next 12–24 months. In the short to medium-term returns from the portfolio will be driven by investments in Permira Europe II and III. However, over the longer term we believe the re-rating and realisation of SVG Capital's investments in Permira IV will be a key driver.

Whilst distributions from the portfolio were limited during the year, the pace of calls was also significantly slower than we originally expected 12 months ago, with a number of follow-on investments not materialising. This was partially a result of the early response to the downturn but also Permira's ability to secure the continuing support of the senior lenders. We anticipate calls to accelerate during the course of 2010 with potential follow-on investments expected in some of the portfolio companies.

### Commitments

In the strategy update in April, we stated that in the near to medium term the Board will seek to maximise shareholder value by focusing on maintaining and improving the strength of the balance sheet. Furthermore, until the Company is in a position to offer a return of capital to shareholders, no new commitments to third-party managers will be made. In this period, any new commitments will be minimal and limited to existing funds to protect or enhance shareholder value, and commitments to new SVG Advisers funds, which will be capped at amounts required as a General Partner or manager of such funds.

In line with this strategy, the Company made a follow-on to an existing investments P25, a feeder vehicle into Permira Europe III and Permira IV. SVG Capital has a 48% equity holding in P25 and made a €40.0 million (£35.5 million) investment in the subordinated loan notes of the fund. These notes are subordinated to the senior borrowings, have a priority return of 30% p.a. and a term of 3.5 years with the potential for extension or early redemption.

## **Share price performance**

In the same strategy update we also reiterated our commitment to shareholders to improve the Company's share price performance and liquidity. The shares have appreciated by 43% in 2009 and 5% year to date in 2010. For much of the Company's history the share price has traded at a premium to NAV and one of my priorities as CEO is to narrow the discount on the share price. The majority of the investment performance that will help drive a re-rating of the shares will come from the performance of the Permira Funds. However, we are also investing a significant amount of time in widening the shareholder base. In this effort, we have been working closely with our brokers, JP Morgan Cazenove and Numis and more recently we have appointed Execution Noble as a broker to the Company.

## **SVG Advisers**

For our fund management and advisory business SVG Advisers (SVGA), 2009 was also a year of transition and stabilisation, with the departure of some senior members of the team in the first half and the appointment of Tony Dalwood as CEO in May.

SVGA is a scalable business with good potential for growth and we will be investing significantly in it during the course of 2010 and 2011. We do not expect to see the full benefits of this investment until 2012 and therefore have been prudent in the unaudited valuation of £77.2 million (24.7p per share) for the business at December 2009.

Investors' attitude to risk and sentiment towards private equity appears to be improving. In a recent survey<sup>5</sup> conducted with over 100 institutional investors, over 90% confirmed that they would be committing either more or the same amount of capital to private equity funds in 2010. Funds like the ones that SVGA manage play an important role for smaller to medium sized institutions in broadening their investment options, and we hope to see an uptick in the pace of fundraising generally over the course of the next 12 months. However, for the time being the fundraising environment remains relatively quiet.

Over the nine years since SVGA was established, its funds and commitments under management have grown to €4.0 billion, investing in 180 funds managed by 96 private equity fund managers<sup>6</sup>. This investment platform is a key source of intellectual capital from which the Group can leverage value for our shareholders.

## **Outlook**

Turning to 2010 we are confident that we have taken the appropriate steps to strengthen the balance sheet and the performance of the majority of our investment portfolio has stabilised and in many instances is improving.

In the private equity sector confidence appears to be lifting, although uncertainty remains around the sustainability of a full recovery in the economy. However, a year on, we certainly feel we are moving into more positive territory; the credit markets appear to be more receptive to new issues and despite the recent postponement of a number of IPOs, exit windows are opening.

We believe that private equity will have a key role to play in the recovery of the global economy. The turmoil of the last few years will bring change to the way the industry operates and, like other major asset classes, the private equity model will evolve and adapt. We believe this evolving environment will play to the strengths of those managers, like Permira, with the ability and experience to influence the strategy and operating performance of companies and help them take advantage of the economic recovery.

The longer term nature of private equity and its corporate governance model provides the asset class with a competitive advantage and puts it in an ideal position to play a significant role in the shaping of the companies of the future.

The last year has been one of transition for the Group and as a Board we have been focused on stabilising the business. With the balance sheet now in a much stronger position we can concentrate on the Company's longer term investment strategy.

Lynn Fordham  
Chief Executive

## Financial Review

	£'000	Shares in issue (dilutive – '000s)	Diluted NAV/share
Shareholders' funds b/f (dilutive basis)	434,893	141,155	308.1p
Unaudited valuation of SVG Advisers ("SVGA")	56,400	141,155	40.0p
	491,293	141,155	348.1p
Adjustments for lapses and grants of Performance Shares	(720)	477	
Rights Issue and Placing (net proceeds)	160,567	171,338	93.7p
<b>Opening balances adjusted for share issue</b>	<b>651,140</b>	<b>312,970</b>	<b>208.1p</b>
Gain attributable to equity shareholders	22,872	312,970	7.3p
Other reserve movements	2,820	312,970	0.9p
Increase in unaudited valuation of SVGA	20,800 <sup>1</sup>	312,970	6.6p
<b>31 December 2009 NAV</b>	<b>697,632</b>	<b>312,970</b>	<b>222.9p<sup>2</sup></b>

1 The unaudited valuation of SVG Advisers is £77.2 million (2008: £56.4 million)

2 Includes unaudited valuation of SVG Advisers of 24.7p per share (2008: 18.0p per share, adjusted for share issue)

The performance for the year ended 31 December 2009 needs to be considered with respect to the Rights Issue and Placing, which had a material impact on the net assets per share as the issue price of 100p was at a significant discount to the prevailing net asset value per share.

The rebased net asset value per share therefore increased by 7.1% during the year from 208.1p to 222.9p. The portfolio performance is analysed in more depth in the investment portfolio review.

### Cash balances and uncalled commitments

The Group's cash balances increased from £131 million at the prior year-end to £144 million at 31 December 2009. The increase was mainly a result of the share issue net proceeds of £161 million and a drawdown of €110 million from the Company's loan facility. Set against this was a £90 million buy-back of Senior Notes, net investment cash outflows of £88 million and finance costs of £41 million.

The Company made no new primary commitments during the year but it did invest in €40 million of high yielding subordinated debt issued by P25. Uncalled commitments fell from £493 million to £371 million, partly due to the appreciation of sterling. There was a €36 million (1.5%) call from Permira IV, reducing the uncalled commitment to this fund from €202 million to €166 million, falling in sterling terms from £196 million to £148 million.

### Borrowings

The leveraged position improved following the Rights Issue and Placing with net borrowings falling over the year by £30 million from £304 million to £274 million.

The Company initially drew down €100 million near the beginning of the year from its loan facility, which provided a partial currency hedge against the investment portfolio; we converted the cash into US dollars as an offset against the US dollar-denominated Senior Note liabilities. A further €10 million was drawn in the last quarter to finance investments.

At 31 December 2009, the Company's Loan to Value ratio for its bank facility was 18% against a maximum covenant of 50% (including the value of SVG Advisers) and 20% against a maximum covenant of 55% for the Senior Notes.

The Company's revolving credit facility has been extended to January 2013. At the same time the Company has agreed to reduce the size of the facility from €550 million to €325 million initially, with further step-downs to €320 million in March 2011, €315 million in September 2011 and €250 million in March 2012. The facility is subject to certain financial covenants. The maximum loan to value covenants remain unchanged but the cost of the facility has increased slightly.

In March 2009 the Company purchased £5 million nominal of its convertible bonds for cancellation at a significant discount to par value. This represented 4.2% of the outstanding principal amount of the convertible bonds.

#### **Foreign exchange**

The appreciation of sterling against the US dollar and euro had a negative impact on portfolio gains, reducing the portfolio uplift by an estimated £56 million to an overall gain of £53 million<sup>7</sup>.

#### **International Private Equity and Venture Capital valuation guidelines**

New valuation guidelines were issued in September 2009. The most notable change was the removal of marketability discounts on the enterprise value of a company. Instead there is scope to effectively discount, if appropriate, the comparator multiples in determining a suitable multiple to produce fair value. We do not consider that the new guidelines have had a material impact on the valuations produced by the funds in which we invest, and particularly the Permira Funds.

#### **Risks**

A full discussion of the Group's principal risks and its risk management process is included in the Annual Report & Accounts and Note 11 of this statement. These include risks relating to valuation, leverage, funding, borrowing, concentration and portfolio company risk.

## Portfolio review

The improvement in public markets and continued stabilisation of performance across the investment portfolio, especially in the latter half of the year has resulted in net gains on the investment portfolio of £53.3 million<sup>8</sup>, an increase of 6.1% over the year and 22.5% over the second half. In constant currencies, these gains become 13.2% and 18.9% respectively.

The vast majority of the investment portfolio is represented by the private equity funds portfolio, which accounts for 81.7% of the total, with the remainder split between private equity funds of funds, public equity funds, warehoused assets and other investments.

### Private equity funds portfolio – £731.3 million

Early and decisive action by Permira has resulted in performance across the portfolio stabilising and, in many instances, improving. Permira and the underlying management teams have worked together to mitigate the impact of declines in revenue on earnings, ensuring that appropriate cost structures were adopted quickly and operational efficiency improved. A clear priority for Permira continues to be the de-risking of the capital structures of the portfolio companies. Actions taken in 2009 have removed over €4.5 billion of debt from the Permira Funds portfolio, including €2.5 billion of debt from Permira IV portfolio companies. Looking at SVG Capital's Top 20 companies at December 2009, attributable debt decreased by 18%<sup>9</sup> over the year.

This significant de-leveraging of the portfolio has had a positive influence on valuations at the year-end. The most notable example of this is Hugo Boss and Valentino Fashion Group, following the further investment to buy-back a third of the company's debt at a significant discount to par. The deleveraging of the company, together with the expansion of multiples has largely offset a weakening of earnings. At December 2009, the company was valued at £120.8 million which, allowing for the £43.7 million follow-on investment is a small discount to the December 2008 valuation and a £25.8 million write up to June 2009.

Elsewhere in the portfolio, increases in valuations have been driven by positive movements in public markets and the performance of the more defensive companies. Significant examples of this include TDC (+£25.8 million – 8.2p per share) and Birds Eye iglo (+£18.1 million – 5.8p per share) both of which have seen strengthening earnings and deleveraging over the year, with TDC continuing to use proceeds from the sale of non-core assets to deleverage; Galaxy Entertainment which has increased significantly in value (+£25.0 million – 8.0p per share) after a 201% increase in its share price; and finally Provimi (+£22.7 million – 7.3p per share), Saga AA (+£18.2 million – 5.8p per share) and New Look (+£14.0 million – 4.5p per share), all of which have been written up on the strength of earnings and multiple expansion.

### Major unrealised portfolio movements

Company	Country	31 Dec 2009 <sup>(2)</sup> £'000	Follow-ons in 12 months £'000	31 Dec 2008 <sup>2</sup> £'000	Change in 12 months <sup>1</sup> £'000
TDC	Denmark	91,198	–	65,381	25,817
Galaxy	Greater China	39,671	–	14,645	25,026
Provimi	The Netherlands	62,031	–	39,333	22,698
Saga AA	UK	59,645	–	41,421	18,224
Birds Eye iglo	UK	57,062	–	38,925	18,137
New Look	UK	25,684	–	11,650	14,034
Marazzi	Italy	8,032	–	20,424	(12,392)
DinoSol Supermercados	Spain	–	–	20,427	(20,427)

1 Including Permira feeder vehicles

2 Gross of any carried interest provision

In addition to Hugo Boss and Valentino Fashion Group, a number of the more cyclical companies in the portfolio continue to experience pressure on earnings, in particular DinoSol Supermercados and Marazzi, both of which have been written down despite the significant positive impact of comparator multiples over the year.

Permira continues to closely monitor capital structures and where necessary is proactively strengthening and restructuring balance sheets. A number of the portfolio companies are currently valued at nil and of these, ProsiebenSat Media.1 and BorsodChem are the most significant on a cost basis. Performance at ProsiebenSat has improved and Permira has written up the valuation of the company marginally. Permira continues to monitor the group's capital structure and we have elected to leave the value of our holding at zero for the time being. In the case of BorsodChem, a consensual restructuring of the capital structure has been agreed with Wanhua Industrial Group (Wanhua), a Chinese chemical firm and strategic investor. As a part of the agreement Wanhua will supply financing to the company and has a call option to acquire Permira Funds' stake in BorsodChem within the next 24 months. For the time being we continue to hold our investment at zero.

#### **New investments**

Through its holdings in P1234, SVG Sapphire IV, Sapphire IV and SVG Diamond I, II and III, SVG Capital participated in the acquisitions of NDS (announced in June 2009 accounts) and Just Retirement. Just Retirement is a specialist life assurance group in England and Wales focusing on the provision of financial services to those at or in retirement. NDS and Just Retirement were valued at £10.4 million and £4.1 million respectively, an uplift of £3.2 million (1.0p per share) to cost.

#### **Realisations**

The Permira Funds have taken advantage of improving market conditions to realise two investments, the most material of which was the sale of the residual holding in Freenet AG in October 2009 and January 2010. Permira Funds originally acquired debitel, a German mobile phone services provider in 2004. Over the course of the next four years the company grew substantially, with a value creation plan based on growth through acquisition and strategic repositioning, which led to substantial sales and EBITDA improvements. debitel was sold to Freenet in July 2008 in return for cash proceeds, a vendor loan note and a stake in Freenet AG. The final tranches of this realisation were at an uplift of £11.3 million (3.6p per share) to the December 2008. Including all previous proceeds, the investment returned a gross multiple of 3.1x cost in local currency.

#### **Valuation basis**

The improvement in public markets during the course of 2009 has had a positive influence on the earnings multiples used to value the portfolio companies with the weighted average multiple increasing by 10.9% to 9.1<sup>10</sup>.

#### **Valuation analysis**

	<b>30 Dec 2009 % (by value)</b>	<b>31 Dec 2008 % (by value)</b>
Earnings*	46	28
Written down – earnings*	36	51
Quoted	11	10
Written down	5	6
Cost	1	1
Third-party	1	4

\* Both December 2008 earnings and written down-earning valuation basis have been reclassified

## Geographical Analysis

	30 Dec 2009	31 Dec 2008	*Cost
Global	45	48	36
Continental Europe	24	28	28
UK	20	15	24
Asia	7	5	10
North America	4	4	2

\* Fund reported local currency costs translated at 31 December 2009 foreign exchange rates

## Sector analysis

	30 Dec 2009	31 Dec 2008	*Cost
Retail	24	26	21
Chemicals	21	21	20
Electronics and communications	21	20	16
Consumer	15	15	8
Leisure	7	5	16
Medical/health	5	4	2
Financial	4	5	3
Media	2	2	11
Other services	1	2	3

\*Fund reported local currency costs translated at 31 December 2009 foreign exchange rates

## Portfolio maturity – investments in companies

	Write-downs	Cost	Quoted	Earnings	Earnings (below cost)	Third party	TOTAL
1999 & before	0.1	-	2.0	-	-	0.1	2.2
2000	2.7	-	0.9	-	-	0.4	4.0
2001	-	-	-	15.9	-	-	15.9
2002	0.3	-	10.8	-	-	-	11.1
2003	0.5	-	6.0	4.7	4.6	0.2	16.0
2004	-	-	21.7	96.9	-	-	118.6
2005	0.8	0.3	-	92.7	2.9	0.5	97.2
2006	0.7	0.1	-	78.8	59.1	3.5	142.2
2007	0.2	5.6	44.2	63.8	121.4	3.0	238.2
2008	31.0	1.6	-	1.3	101.0	0.8	135.7
2009	-	0.9	-	14.4	-	-	15.3
<b>TOTAL</b>	<b>36.3</b>	<b>8.5</b>	<b>85.6</b>	<b>368.5</b>	<b>289.0</b>	<b>8.5</b>	<b>796.4</b>

Year of original investment in underlying companies gross of carry

## Other assets

### Private equity funds of funds portfolio – £85.7million

SVG Capital's investments in private equity funds of funds fell over the year as declines in valuations continued to be amplified by the leverage in the fund structures. At 31 December 2009 these funds were valued at £85.7 million<sup>11</sup>, a £40.9 million (13.1p per share) decline over the year.

### Public equity funds portfolio – £39.6 million

Favourable equity markets had a positive impact on the valuation of SVG Capital's holdings in funds managed by its public equity team, which increased in value by 62.7% over the 12 months. At 31 December 2009 these funds were valued at £39.6 million<sup>11</sup>, a £17.4 million (5.5p per share) increase over the year.

**Warehoused assets – £29.8 million**

The value of SVG Capital's holdings in the private equity funds that it is warehousing on behalf of SVG Advisers increased by £7.3 million (2.3p per share) to £29.8 million<sup>1</sup>. The warehoused assets are made up of nine private equity funds investing in the US and Europe.

**Other investments – £9.2 million**

Over the 12 months the value of SVG Capital's holdings in India declined by 36.5%. At 31 December 2009, the value of these holdings was £9.2 million<sup>1</sup>.

**Fund commitments**

Uncalled commitments	Amount called (local currency) millions	Amount uncalled (local currency) millions	Uncalled commitment* £ millions
<b>Permira funds</b>			
Permira Europe III	€328.7	€29.8	26.5
Permira IV	€1,278.3	€166.1	147.6
P1234	€30.8	€7.7	6.8
P25	€75.4	€6.6	5.9
SVG Sapphire IV	€11.2	€2.8	2.5
Sapphire IV	€0.8	€0.2	0.2
			189.5
<b>Other private equity funds</b>			
The Japan Fund IV	¥4,601.5	¥1,071.4	7.1
SV Investments Fund I	US\$43.7	US\$3.7	2.3
SV Life Sciences Fund III	US\$13.3	US\$1.7	1.1
SV Life Sciences Fund IV	US\$31.2	US\$18.8	11.6
			22.1
<b>Private equity fund of funds</b>			
SVG Diamond III	€40.6	€24.9	22.1
SVG Asia Fund of Funds	US\$6.1	US\$34.8	21.5
Vintage I	€11.2	€28.8	25.6
Schroder Private Equity Fund of Funds III	€0.8	€0.3	0.3
			69.5
<b>Public equity funds</b>			
Strategic Recovery Fund II	£19.9	£8.4	8.4
<b>Other investments</b>			
SVG India	US \$31.5	US\$0.5	0.3
Gaja Fund	US\$1.0	US\$4.0	2.5
			2.8
<b>Warehoused private equity fund investments</b>			
– €-denominated	€33.3	€76.7	68.2
– \$-denominated	US\$12.9	US\$17.1	10.6
			78.8
<b>Total</b>			371.1

\* Based on exchange rates at 31 December 2009

## Return on investments

	12 months to 31 December 2009	12 months to 31 December 2008
Opening valuation	756.2	1,347.1
Calls payable	119.2	570.1
Distributions received	** (33.1)	* (348.8)
	_____	_____
	842.3	1,568.4
Return on investments	53.3	(812.2)
	_____	_____
Closing portfolio ***	895.6	756.2

\* including £2.7 million of income

\*\* including £2.1 million of income

\*\*\* including £29.8 million of warehoused funds (2008: £15.0 million)

### Footnotes

1 For comparative purposes the opening NAV per share of 348p has been adjusted on a pro-forma basis to 208.1p to reflect the impact of subsequent Rights Issue and Placing. This is a non-GAAP measure and is described in more detail in the financial review

2 Including the 31 December 2009 unaudited Directors' valuation of SVG Advisers of £77.2 million (24.7p per share)

3 Direct and Indirect holdings

4 Excluding quoted companies

5 Preqin Research Report – Private equity InvestorSurvey – February 2010

6 At 31 December 2009

7 Including investment income

8 Including Investment Income

9 Excluding quoted companies

10 Due to changes in the IPEV valuation guidelines, valuation multiples include discounts if appropriate

11 Allowing for calls and distributions

### 20 largest underlying companies

In the following pages we show the 20 largest investments of the private equity funds' portfolio, by value, as at 31 December 2009. The valuations of these companies have been presented in accordance with IFRS. Following the decision by the Company to cap its commitment to Permira IV in December 2008, the valuations of all of the Permira IV investments made prior to 2009 include a provision against future distributions. Value attributable to follow-ons into Permira IV companies are not subject to this provision.

#### 1. Valentino Fashion Group/Hugo Boss (Italy)

Company	£000's
Cost	205,530
Value Dec 09	120,846
Date of acquisition	May 2007
% of gross PE portfolio	15.2%
Underlying fund	Permira IV

The Hugo Boss and Valentino Fashion Group operate in over 100 countries, with more than 1,500 single-brand boutiques and 430 directly-managed shops. The group's activities are broken down into three business units, covering the entire luxury and fashion sector: Hugo Boss, Valentino and licensed brands including M Missoni, in addition to its own brand Lebole. The valuation basis is earnings.

## 2. Arysta LifeScience (Japan)

Company	£000's
Cost	151,544
Value Dec 09	92,763
Date of acquisition	February 2008
% of gross PE portfolio	11.6%
Underlying fund	Permira IV

Arysta LifeScience is the world's largest privately-held agrochemical company. The company markets a portfolio of over 150 products in more than 125 countries worldwide and focuses on two main business lines: conventional crop protection (agriscience) and animal care products (life science). The valuation basis is earnings.

## 3.TDC (Denmark)

Company	£000's
Cost	40,798
Value Dec 09	91,198
Date of acquisition	December 2005
% of gross PE portfolio	11.5%
Underlying funds	Permira Europe II & III

TDC is a leading Danish-based provider of communications solutions. It also has significant presence in markets in the other Nordic countries and Hungary. The valuation basis is earnings.

## 4. Provimi (The Netherlands)

Company	£000's
Cost	52,356
Value Dec 09	62,031
Date of acquisition	April 2007
% of gross PE portfolio	7.8%
Underlying fund	Permira IV

Provimi is a world leader in the growing market of animal nutrition. The company operates 87 plants in 30 countries specialising in innovative products serving the nutritional and health needs of all animals. The valuation basis is earnings.

## 5. Acromas (The AA & Saga) (UK)

Company	£000's
Cost	41,756
Value Dec 09	59,645
Date of acquisition	September 2004
% of gross PE portfolio	7.5%
Underlying fund	Permira Europe III

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 organisation, providing motoring, travel, media and financial services to the UK motorist and people aged over 50. The initial investment in the AA was made in September 2004. The valuation basis is earnings.

## 6. Birds Eye iglo (UK)

Company	£000's
Cost	32,487
Value Dec 09	57,062
Date of acquisition	November 2006
% of gross PE portfolio	7.2%
Underlying fund	Permira Europe III

Birds Eye iglo is a leader in the European frozen food market, 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, poultry and ready meals, in addition to iconic products such as fish fingers and Schlemmer Filets. The valuation basis is earnings.

## 7. Galaxy (Greater China)

Company	£000's
Cost	109,268
Value Dec 09	39,671
Date of acquisition	November 2007
% of gross PE portfolio	5.0%
Underlying fund	Permira IV

Galaxy Entertainment Group is one of the largest casino and hotel operators in Macau SAR, China. It is one of only six gaming concessionaires licensed to operate casinos in Macau SAR, the only legal gaming location in China and the world's largest gaming market by revenue. Galaxy operates the flagship hotel casino, StarWorld, four 'City Club' casinos and owns a construction materials business. The valuation basis is quoted.

## 8. Freescale (USA)

Company	£000's
Cost	145,058
Value Dec 09	33,526
Date of acquisition	November 2006
% of gross PE portfolio	4.2%
Underlying fund	Permira IV

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 a broad portfolio of more than 14,000 products serving over 10,000 customers. The company has over 50 sales offices located in 25 countries. The valuation basis is earnings.

## 9. Legico (Luxembourg)

Company	£000's
Cost	50,436
Value Dec 09	30,670
Date of acquisition	January 2008
% of gross PE portfolio	3.9%
Underlying fund	Permira IV

Legico seeks to invest in credit market opportunities by investing in senior, mezzanine and PIK opportunities in both the primary and secondary markets. The company's main geographical focus is the UK and Europe, although it does have the flexibility to invest worldwide. The valuation basis is mark-to-market.

## 10. New Look (UK)

Company	£'000
Cost	480
Value Dec 09	25,684
Date of acquisition	April 2004
% of gross PE portfolio	3.2%
Underlying fund	Permira Europe II

New Look is a leading European fast fashion retailer with a value proposition aimed at targeting the young female market. Although the company's broad product offering focuses on womenswear, it also includes footwear, accessories and is expanding into menswear. New Look's broad network is comprised of 592 stores in the UK and 55 stores in Europe and 35 franchise stores with 27 in the Middle East. In addition, in France and Belgium, the company also operates 304 stores which trade under the MIM fascia. The valuation basis is earnings.

### 11. Freenet/debitel (Germany)

Company	£000's
Cost	138
Value Dec 09	21,677
Date of acquisition	June 2004
% of gross PE portfolio	2.7%
Underlying fund	Permira Europe III

Funds advised by Permira sold their holding in debitel to Freenet AG in July 2008. Freenet is the third largest mobile phone provider in Germany and the acquisition of the debitel Group by Freenet has resulted in the leading distribution platform in the German mobile telephony market. The valuation basis is third-party and quoted. Since the year end Permira Funds have sold their remaining holding in Freenet.

### 12. Telepizza (Spain)

Company	£000's
Cost	12,251
Value Dec 09	17,724
Date of acquisition	September 2006
% of gross PE portfolio	2.2 %
Underlying fund	Permira Europe III

Telepizza is currently the leading player in the Spanish home delivery and take-away pizza business operating about 650 owned and franchised outlets. The company has an international presence in Portugal, Chile, Central America and Poland where it has over 400 outlets. The valuation basis is earnings.

### 13. Cognis Group (Germany)

Company	£'000
Cost	1,860
Value Dec 09	15,895
Date of acquisition	November 2001
% of gross PE portfolio	2.0%
Underlying fund	Permira Europe II

Cognis is a global supplier of innovative speciality chemicals and nutritional ingredients, with a particular focus on the areas of wellness and sustainability. It produces a range of consumer-orientated and industrial products that combine top performance with the requirements for environmental compatibility. With production sites and service centres in around 30 countries, Cognis has three strategic business units; Care Chemicals, Nutrition & Health and Functional Chemicals. The valuation basis is earnings.

#### 14. All3Media (UK)

Company	£000's
Cost	12,074
Value Dec 09	12,911
Date of acquisition	September 2006
% of gross PE portfolio	1.6%
Underlying fund	Permira Europe III

All3Media is the largest UK independent TV production business, comprising a group of production companies in the UK, Germany, The Netherlands, New Zealand, the USA and Australia. The group also includes a digital media producer, a next generation advertising agency, an international distribution company and a talent management business. Key programmes include Hollyoaks, Midsomer Murders and Shameless. The valuation basis is earnings.

#### 15. Sisal (Italy)

Company	£'000
Cost	16,916
Value Dec 09	12,635
Date of acquisition	October 2006
% of gross PE portfolio	1.6%
Underlying fund	Permira Europe III

Sisal is Italy's second largest player in the gaming sector. The group has four main activities: traditional games (lotteries), sports and horse racing betting, slot machines and payment services, mobile phones and satellite pay-TV prepaid card top ups. The group is headquartered in Milan, operates about 30,000 points of sales and owns over 120 shops. The valuation basis is earnings.

#### 16. Maxeda (The Netherlands)

Company	£'000
Cost	529
Value Dec 09	11,168
Date of acquisition	September 2004
% of gross PE portfolio	1.4%
Underlying fund	Permira Europe III

Maxeda is the largest non-food retailer in the Netherlands. It has market leading positions in department stores, DIY and fashion markets. In total, the group trades 11 different brand formats and operates around 1,400 stores in seven European countries. The valuation basis is earnings.

### 17. Strides Arcolab (India)

Company	£'000
Cost	3,250
Value Dec 09	10,787
Date of acquisition	January 2002
% of gross PE portfolio	1.4%
Underlying fund	SV Asia Pacific Fund

Strides Arcolab manufactures a range of generic drugs and tablets for supply to Western and developing markets. The valuation basis is quoted.

### 18. NDS (UK)

Company	£'000
Cost	7,728
Value Dec 09	10,351
Date of acquisition	January 2009
% of gross PE portfolio	1.3%
Underlying fund	Permira IV

NDS is a world leading provider of media content security and enabling technologies for pay-TV. It has a longstanding relationship with leading pay-TV operators and offers solutions for the satellite, cable, IPTV and mobile TV markets. The valuation basis is earnings.

### 19. Marazzi (Italy)

Company	£000's
Cost	41,892
Value Dec 09	8,032
Date of acquisition	July 2008
% of gross PE portfolio	1.0%
Underlying fund	Permira IV

Marazzi Group is the world leader in the design, manufacturing and distribution of ceramic tiles with a growing presence in sanitary fixtures. It has a strong international footprint with production facilities in France, Italy, Russia, Spain and the USA and sells in over 130 countries with direct distribution in the USA and Russia. The valuation basis is earnings.

### 20. Seat Pagine Gialle (Italy)

Company	£'000
Cost	26,327
Value Dec 09	5,974
Date of acquisition	July 2003
% of gross PE portfolio	0.8%
Underlying fund	Permira Europe II

SEAT Pagine Gialle, is a multimedia provider of directory information services through the print, online and voice channels. It publishes printed and online yellow and white pages directories in Italy, where it has a 95% market share. It also provides voice directory assistance services in Italy, Germany, France and Spain. The company also owns the 'Thomson Local' directories in the UK. The valuation basis is quoted.

## Consolidated income statement

	For the year ended 31 December 2009			For the year ended 31 December 2008		
	Revenue return £'000	Capital return £'000	Total £'000 (unaudited)	Revenue return £'000	Capital return £'000	Total £'000 (audited)
Gains/(losses) on investments – at fair value through profit and loss	-	51,322	51,322	-	(814,016)	(814,016)
Exchange gains/(losses) on other items	-	5,514	5,514	403	(39,224)	(38,821)
	-	56,836	56,836	403	(853,240)	(852,837)
<b>Operating income</b>						
Investment income	2,971	-	2,971	11,191	-	11,191
Income from investment advisory services	28,830	-	28,830	28,448	-	28,448
Other operating income	113	-	113	1,236	-	1,236
Total operating income	31,914	-	31,914	40,875	-	40,875
<b>Operating expenses</b>						
Administrative expenses	(28,565)	-	(28,565)	(17,743)	-	(17,743)
Other operating expenses	-	28	28	-	(481)	(481)
Total expenses	(28,565)	28	(28,537)	(17,743)	(481)	(18,224)
<b>Operating profit/(loss)</b>	3,349	28	3,377	23,132	(481)	22,651
Finance costs	(40,904)	1,943	(38,961)	(32,277)	-	(32,277)
Profit/(loss) before tax	(37,555)	58,807	21,252	(8,742)	(853,721)	(862,463)
Tax	980	640	1,620	(1,659)	(239)	(1,898)
<b>Profit/(loss) for the year</b>	(36,575)	59,447	22,872	(10,401)	(853,960)	(864,361)
Attributable to:						
Equity holders of the parent	(36,572)	59,447	22,875	(10,404)	(853,959)	(864,363)
Minority interest	(3)	-	(3)	3	(1)	2
<b>Earnings per share</b>						
From continuing activities						
Basic			8.0p			(621.5)p
Diluted			8.0p			(621.5)p

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.

## Consolidated statement of comprehensive income

	For the year months ended 31 December 2009 £'000 (unaudited)	For the year ended 31 December 2008 £'000 (audited)
<b>Profit/(loss) for the year</b>	22,872	(864,361)
Other comprehensive income		
Net gain/(loss) on cash flow hedges	2,762	(4,960)
<b>Other comprehensive income/(loss), net of tax</b>	2,762	(4,960)
<b>Total comprehensive income, net of tax</b>	25,634	(869,321)
Attributable to:		
Equity holders of the parent	25,637	(869,323)
Minority interests	(3)	2
	25,634	(869,321)

## Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Revenue reserve £'000	Capital reserve £'000	Hedge reserve £'000	Share option reserve £'000	Other reserves £'000	Total equity holders £'000	Minority interest £'000	Total £'000
<b>For the year ended</b>										
<b>31 December 2009 (unaudited)</b>										
<b>At 31 December 2008</b>	<b>139,070</b>	<b>142,001</b>	<b>10,187</b>	<b>32,410</b>	<b>(4,927)</b>	<b>5,448</b>	<b>109,984</b>	<b>434,173</b>	<b>130</b>	<b>434,303</b>
(Loss)/gain for the year	-	-	(36,575)	59,447	-	-	-	22,872	(3)	22,869
Recycled through income statement	-	-	-	-	2,339	-	-	2,339	-	2,339
Other comprehensive income	-	-	-	-	423	-	-	423	-	423
	<b>139,070</b>	<b>142,001</b>	<b>(26,388)</b>	<b>91,857</b>	<b>(2,165)</b>	<b>5,448</b>	<b>109,984</b>	<b>459,807</b>	<b>127</b>	<b>459,934</b>
Dividends	-	-	(6)	-	-	-	-	(6)	-	(6)
Issue of performance share awards	-	-	-	-	-	64	-	64	-	64
Issue of shares	171,338	(10,771)	-	-	-	-	-	160,567	-	160,567
Buy back of convertible loan notes	-	-	-	620	-	-	(620)	-	-	-
<b>At 31 December 2009</b>	<b>310,408</b>	<b>131,230</b>	<b>(26,394)</b>	<b>92,477</b>	<b>(2,165)</b>	<b>5,512</b>	<b>109,364</b>	<b>620,432</b>	<b>127</b>	<b>620,559</b>

## For the year ended 31 December 2008 (audited)

<b>At 31 December 2007</b>	139,064	141,980	29,630	886,369	33	7,267	95,258	1,299,601	104	1,299,705
Loss for the year	-	-	(10,404)	(853,959)	-	-	-	(864,363)	2	(864,361)
Recycled through income statement	-	-	-	-	746	-	-	746	-	746
Other comprehensive income	-	-	-	-	(5,706)	-	-	(5,706)	-	(5,706)
	139,064	141,980	19,226	32,410	(4,927)	7,267	95,258	430,278	106	430,384
Dividends	-	-	(9,039)	-	-	-	-	(9,039)	(1)	(9,040)
Issue of share options and performance shares	-	-	-	-	-	(1,868)	-	(1,868)	-	(1,868)
Tax on share options and performance shares	-	-	-	-	-	49	-	49	-	49
Issue of shares on exercise of share options	6	21	-	-	-	-	-	27	-	27
Issue of shares in subsidiary	-	-	-	-	-	-	-	-	25	25
Issue of convertible loan notes	-	-	-	-	-	-	14,726	14,726	-	14,726
<b>At 31 December 2008</b>	<b>139,070</b>	<b>142,001</b>	<b>10,187</b>	<b>32,410</b>	<b>(4,927)</b>	<b>5,448</b>	<b>109,984</b>	<b>434,173</b>	<b>130</b>	<b>434,303</b>

## Consolidated balance sheet

	As at 31 December 2009 (unaudited) £'000	As at 31 December 2008 (audited) £'000
<b>Non-current assets</b>		
Property, plant and equipment	2,534	1,139
Investments designated as fair value through profit and loss	895,575	741,112
Deferred tax asset	1,080	2,583
	<b>899,189</b>	<b>744,834</b>
<b>Current assets</b>		
Financial assets	-	15,039
Other receivables	12,815	10,914
Tax recoverable	4,205	1,000
Cash and cash equivalents	144,067	130,627
	<b>161,087</b>	<b>157,580</b>
<b>Total assets</b>	<b>1,060,276</b>	<b>902,414</b>
<b>Current liabilities</b>		
Other payables	(118,825)	(32,372)
Tax payable	(9)	-
	<b>(118,834)</b>	<b>(32,372)</b>
<b>Total assets less current liabilities</b>	<b>941,442</b>	<b>870,042</b>
<b>Non-current liabilities</b>		
Senior Notes	(220,577)	(332,239)
Convertible bonds	(100,148)	(102,595)
Deferred staff compensation	-	(628)
Deferred tax liability	(158)	(277)
	<b>(320,883)</b>	<b>(435,739)</b>
<b>Net assets</b>	<b>620,559</b>	<b>434,303</b>
<b>Equity</b>		
Called up share capital	310,408	139,070
Share premium account	131,230	142,001
Capital redemption reserve	3,204	3,204
Share purchase reserve	92,054	92,054
Share option reserve	5,512	5,448
Convertible bonds - equity	14,106	14,726
Hedge reserves	(2,165)	(4,927)
Capital reserve	92,477	32,410
Revenue reserve	(26,394)	10,187
<b>Shareholders' funds</b>	<b>620,432</b>	<b>434,173</b>
Minority interest	127	130
<b>Total equity</b>	<b>620,559</b>	<b>434,303</b>
<b>Net asset value per ordinary share ("Shareholders' funds")</b>		
– undiluted	199.9p	312.2p
– diluted	198.2p	308.1p

## Consolidated cash flow statement

	For the year ended 31 December 2009 (unaudited) £'000	For the year ended 31 December 2008 (audited) £'000
Investment management and advisory fee income	25,413	30,749
Interest income	1,786	13,104
Other income	613	1,684
Expenses of the management and advisory group	(19,778)	(23,070)
Other expenses	(6,556)	(3,034)
Interest paid	(40,995)	(24,420)
Tax paid	(1,840)	(109)
<b>Net cash (used in)/ from operating activities</b>	<b>(41,357)</b>	<b>(5,096)</b>
<b>Investing activities</b>		
Capital distributions from private equity fund's portfolio	19,910	319,774
Receipts in respect of other investments	13,487	21,399
Calls paid to private equity fund portfolio	(85,046)	(412,927)
Payments in respect of other investments	(34,022)	(161,781)
Purchases of property, plant and equipment	(2,118)	(533)
<b>Net cash used in investing activities</b>	<b>(87,789)</b>	<b>(234,068)</b>
<b>Financing</b>		
Loan facility drawdown	101,460	-
Proceeds from share issues	171,338	52
Share issue costs	(10,771)	-
(Buy-back)/ issue of Senior Notes	(88,451)	40,000
Costs of buy-back/ issue of Senior Notes	(1,429)	(2,210)
(Buy-back)/ issue of convertible bonds	(2,487)	120,000
Issue costs of convertible bonds	-	(3,545)
Dividends paid	(6)	(9,041)
<b>Net cash from financing activities</b>	<b>169,654</b>	<b>145,256</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>40,508</b>	<b>(93,908)</b>
Cash and cash equivalents at beginning of year	130,627	183,487
Effect of foreign exchange rates on cash and cash equivalents	(27,068)	41,048
<b>Cash and cash equivalents at end of year</b>	<b>144,067</b>	<b>130,627</b>

## Notes

### 1 Statement of Directors' Responsibilities

The responsibility statement below has been prepared in connection with the Group's full Annual Report and Accounts for the year ended 31 December 2009. Certain parts thereof are not included within this announcement.

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

- select suitable accounting policies in accordance with IAS 8 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policy
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirement in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRS, 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 Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation.

They are responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are set out in this report, confirms that, to the best of their knowledge:

- the accounts, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Report of the Directors (which incorporates the business review) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

### 2 General information

The preliminary results for the year ended 31 December 2009 are unaudited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The information given as comparative figures for the year ended 31 December 2008 does not constitute the Company's statutory accounts for that financial year. Statutory accounts for the year ended 31 December 2008, prepared in accordance with IFRS as adopted by the European Union, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2008 has been delivered to the Registrar of Companies.

This statement was approved by the Board of Directors on 3 March 2009.

### 3 Accounting policies

In preparing the financial information included in this statement the Group has applied policies which are consistent with those applied in the Group's most recent annual financial statements.

#### 4 Finance costs

	For the year ended 31 December 2009 (unaudited) £'000	For the year ended 31 December 2008 (audited) £'000
Convertible loan note interest	9,317	5,665
Amortisation of issue and listing costs plus premium to redemption re convertibles	1,988	866
Gain on buy back convertibles	(1,943)	-
Senior note interest	19,323	20,318
Amortisation of issue costs re Senior Notes	960	386
Swap payments/(receipts)	532	(53)
Loan facility finance costs	7,605	4,429
Amortisation of loan facility issue costs	1,134	551
Other finance costs	45	115
	<b>38,961</b>	<b>32,277</b>

#### 5 Borrowings

In February 2010, the Company renegotiated its loan facility with The Royal Bank of Scotland plc, The Bank of Scotland plc and Bayerische Hypo-und Vereinsbank AG. Under the terms of the renegotiations, the term of the loan facility was extended from March 2011 until January 2013 and the size of the facility was reduced from €550 million to €325 million, with further step-downs to €320 million in March 2011, €315 million in September 2011 and €250 million in March 2012. The facility is subject to financial covenants.

The Company made drawdowns totalling €110 million from the facility during the year ended 31 December 2009. The borrowings under the facility enabled the Company to maintain a significant cash balance in US dollar money market funds (\$200 million at year-end), acting as a partial currency hedge against the US dollar-denominated Senior Notes (\$252.9 million at year-end).

Long-term borrowings include £220.6 million of Senior unsecured loan Notes. Further details are provided in the following table:

	31 December 2009 (unaudited) £'000	31 December 2008 (audited) £'000
US\$124.61 million 9.10% Fixed Rate Series A Senior Notes due 18 July 2013	77,163	118,236
€14.66 million 7.57% Fixed Rate Series B Senior Notes due 18 July 2013	13,026	19,335
€5.131 million Floating Rate Series C Senior Notes due 18 July 2013	5,131	7,000
US\$128.275 million 8.49% Fixed Rate Series A Senior Notes due 18 July 2014	79,432	121,714
€10.995 million 7.72% Fixed Rate Series B Senior Notes due 18 July 2014	9,769	14,501
€3.665 million Floating Rate Series C Senior Notes due 18 July 2014	3,256	4,834
€36.65 million 9.10% Fixed Rate Series D Senior Notes due 18 July 2015	36,650	50,000
Total nominal amount of Senior Notes	224,427	335,620
Unamortised issue costs	(3,850)	(3,381)
	<b>220,577</b>	<b>332,239</b>

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 (8.65% following the debt renegotiations in December 2008). 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 (7.86% following the debt renegotiation in December 2008).

In January 2009, the Company repurchased at par and cancelled 26.7% of the original nominal amount of the Senior Notes in issue.

#### Covenants

The Senior Notes are subject to financial covenants. Until 30 June 2011, the maximum loan to value ("LTV") covenants are 55% (excluding the unaudited Directors' valuation of SVG Advisers ("SVGA")) and 50% (including the SVGA valuation). With effect from 1 July 2011, the maximum LTV reduces to 40% (excluding the SVGA valuation). At 31 December 2009, the LTV's were 18.4% (including the SVGA valuation) and 20.0% (excluding the SVGA valuation).

Long-term borrowings also include £100.1 million of Convertible Bonds. Further details are provided in the following table:

	<b>31 December 2009 (unaudited) £'000</b>	31 December 2008 (audited) £'000
8.25% Subordinated Convertible Bonds 2016 – nominal	<b>114,950</b>	120,000
Unamortised premium, issue and listing costs	<b>(14,802)</b>	(17,405)
	<b>100,148</b>	<b>102,595</b>

The Bonds were issued on 5 June 2008 and are redeemable at par on 5 June 2016. At issue the conversion option was valued at £14,726,000 and this amount has been credited to an equity reserve. During the year, the Company purchased and cancelled £5,050,000 nominal of Bonds at a discount of 50.75%. As a result of the buy-back £620,000 was released from the equity reserve. The Bonds were originally issued with a Conversion Price of £10.00. As a result of the Rights Issue, the Conversion Price was amended to £7.28 on 4 February 2009, in accordance with the Terms and Conditions of the Bonds. As a further result of the Placing, the Conversion Price was amended to £6.48 on 10 February 2009. The Bonds are convertible at the option of the bond-holder. They are not currently dilutive as the Conversion Price is above the Company's NAV per share.

As the Bonds are subordinated to the Senior Notes and the loan facility, they are not counted as debt for the purposes of calculating the loan to value covenants for the Senior Notes and loan facility.

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

	<b>31 December 2009</b>	31 December 2008
Basic	<b>199.9p</b>	312.2p
Diluted	<b>198.2p</b>	308.1p

Calculation of the net asset values per share are based on Group net assets attributable to equity shareholders of the parent of £620,432,000 (31 December 2008: £434,173,000) and on 310,407,923 (31 December 2008: 139,069,901) ordinary shares in issue at the year end.

The diluted net asset values per share assume that share options and performance shares 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 2,561,606 ordinary shares (31 December 2008: 2,084,824) for consideration of £nil (31 December 2008: £720,000). The convertible bonds 2016 are exercisable at a strike price of 648p (2008: 1000p) and are therefore not dilutive at 31 December 2009 or 2008.

Therefore, the calculation of the diluted net asset value per share is based on Group net assets attributable to equity shareholders of £620,432,000 (31 December 2008: £434,893,000), and on 312,969,529 (31 December 2008: 141,154,725) ordinary shares in issue at the year end.

#### Reconciliation of NAV per share adjusting for the share issue

The opening NAV per share is not directly comparable to the closing NAV per share because of the significant share issue during the year at a discount to the prevailing NAV per share. The following table illustrates the impact of the share issue on the opening NAV per share:

	<b>£'000</b>	<b>Shares in issue</b>	<b>Undiluted NAV per share</b>
Opening shareholders' funds	434,173	139,069,901	312.2p
Net proceeds from rights issue and placing	160,567	171,338,022	93.7p
Opening shareholder's funds adjusted for share issue	594,740	310,407,923	<b>191.6p</b>
Gain attributable to equity shareholders of the parent company	22,872	310,407,923	7.4p
Other reserve movements during the year (hedging)	2,820	310,407,923	0.9p
Closing shareholders' funds	620,432	310,407,923	<b>199.9p</b>
	<b>£'000</b>	<b>Shares in issue</b>	<b>Diluted NAV per share</b>
Opening shareholders' funds – dilutive basis	434,893	141,154,725	308.1p
Adjustment re lapses and grants of performance shares	(720)	476,782	
Net proceeds from rights issue and placing	160,567	171,338,022	93.7p
Opening shareholders' funds adjusted for share issue	594,740	312,969,529	<b>190.0p</b>
Loss attributable to equity shareholders of the parent company	22,872	312,969,529	7.3p
Other reserve movements during the year (hedging)	2,820	312,969,529	0.9p
Closing shareholders' funds – dilutive basis	620,432	312,969,529	<b>198.2p</b>

## 7 Capital commitments

At 31 December 2009, the Group had uncalled commitments to its fund investments as follows:

	2009 Uncalled commitment (local currency)	2009 Uncalled commitment* £'million	2008 Uncalled commitment* £'million
<b>Permira funds</b>			
Permira Europe III	€29.8m	26.5	34.3
Permira IV	€166.1m	147.6	195.5
P1234	€7.7m	6.8	7.4
P25	€6.6m	5.9	6.3
Sapphire IV	€0.2m	0.2	-
SVG Sapphire IV	€2.8m	2.5	5.4
		<b>189.5</b>	<b>248.9</b>
<b>Other core private equity funds</b>			
SVG Investment Fund I	\$3.7m	2.3	2.8
SV Life Sciences Fund III	\$1.7m	1.1	1.6
SV Life Sciences Fund IV	\$18.8m	11.6	21.2
The Japan Fund IV	¥1.1bn	7.1	8.2
		<b>22.1</b>	<b>33.8</b>
<b>Private equity fund warehouse</b>			
Actis Emerging Markets III	\$7.3m	4.5	6.2
American Capital Equity II	\$2.5m	1.5	1.8
AXA IV	€10.0m	8.8	10.8
Barclays Private Equity III	€5.8m	5.2	7.7
Bridgepoint Europe IV	€13.7m	12.2	14.3
CVC Capital Partners Asia Pacific III	\$7.4m	4.6	5.3
CVC European Equity Partners V	€20.2m	17.9	21.2
Industri Kapital 2007	€10.3m	9.2	11.0
PAI Europe V	€16.7m	14.9	16.4
		<b>78.8</b>	<b>94.7</b>
<b>Public equity funds</b>			
The Strategic Recovery Fund II	£8.4m	8.4	13.5
<b>Private Equity fund of funds</b>			
SVG Diamond Private Equity III	€24.9m	22.1	37.8
Vintage I	€28.8m	25.6	27.8
SVG Asia Fund of Funds	\$34.8m	21.5	25.6
Schroder Private Equity Fund of Funds III	€0.3m	0.3	0.4
		<b>69.5</b>	<b>91.6</b>
<b>Other investments</b>			
SVG India	\$0.5m	0.3	0.5
Gaja Capital Fund	\$4.0m	2.5	3.0
Key Capital SVG CLO Equity Fund II	-	-	6.8
		<b>2.8</b>	<b>10.3</b>
<b>Total</b>		<b>371.1</b>	<b>492.8</b>

\*Based on exchange rates at the relevant year-end

Commitments are payable at short notice.

## 8 Share capital

	31 December 2009 £'000	31 December 2008 £'000
Opening balance	139,070	139,064
Placing	70,000	-
Rights issue	101,338	-
Issue of ordinary shares on exercise of options	-	6
Closing balance	<b>310,408</b>	139,070

During the year, the Company issued 171,338,022 ordinary shares following a rights issue and placing. The shares were issued at a price of 100 pence per share. At 31 December 2009, 310,407,923 (2008: 139,069,901) ordinary shares were in issue.

During the year, no options were granted (2008: nil), no options were exercised (2008: 5,467) and 4,147,480 lapsed (2008: 718,090). At 31 December 2009, 3,408,356 (2008: 7,555,836) options to subscribe for ordinary shares were outstanding.

During the year, 1,778,920 performance shares were granted (2008: 1,318,501), none vested or were exercised (2008: nil) and 1,480,052 lapsed (2008: nil). At 31 December 2009, 2,561,606 (2008: 2,262,738) performance shares to subscribe for ordinary shares were outstanding.

### 9 Related party transactions

Lynn Fordham is a member of the Advisory Committees of certain of the Permira funds in which the Company invests. She does not receive fees for these services.

Nicholas Ferguson and members of his family 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 gave up a portion of his entitlement to Carried Interest on existing private equity funds and any entitlement he 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 also participates in the Schroder Ventures Co-Investment Scheme and Schroder Ventures Investments Limited. He has received no new carried interest allocations and made no new commitments since he joined SVG Capital in 2001.

As detailed in the Remuneration Report, Andrew Williams was employed by Schroder Investment Management Limited and is a member of Schroders Retirement Benefits Scheme. Mr Williams, a former executive Director, was seconded to SVG Advisers, which paid all the costs of his employment. Andrew Williams resigned as a Director on 8 May 2009 and his employment with Schroder Investment Management Limited terminated on 31 October 2009.

At the date of his resignation, Damon Buffini had an interest in 12,450,000 SVG Capital shares since he has an interest in Permira Holdings Limited, the parent of Permira Capital Limited which owned 12 million SVG Capital shares. In addition Mr Buffini holds 450,000 shares. As such Damon Buffini's total interest in SVG Capital was 12,450,000 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 did 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. Damon resigned as a Director of the Company on 6 May 2009.

Certain Directors have an interest in funds managed or advised by the SVG Capital Group, as detailed below:

Director*	Investment in SVG Funds**
Damon Buffini***(resigned 6 May 2009)	- 5,000,000 shares in SVG Diamond Private Equity III plc
Nicholas Ferguson	- 400,000 shares in Sapphire (PCC) Limited
Anthony Habgood (resigned 6 May 2009)	- 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 (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 Sykes (appointed 8 February 2010)	- 100,000 shares in SVG Diamond Holding Limited
	- 100,000 shares in SVG Diamond II Holdings Limited
	- 100,000 shares in SVG Diamond Private Equity III plc
	- 43,182 shares in Schroder Private Equity Fund of Funds
	- 125,000 shares in Schroder Private Equity Fund of Funds III
	- 3,911 shares in SVG UK Focus Fund
	- 200,000 shares in Sapphire (PCC) Limited
Andrew Williams (resigned 8 May 2009)	- 100,000 shares in SVG Sapphire (PCC) Limited

\*Including beneficial interests of spouses and children.

\*\* Holdings are unchanged from the prior year.

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

The company invests in a number of funds for which its subsidiary companies, SVG Advisers Limited ("SVG A") 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 SVG A that are also part of SVG Capital's investment portfolio.

Investment	Manager/Adviser	Uncalled commitment £ million	Valuation £ million
<b>Permira feeder vehicles:</b>			
P123	SVG A	-	40.5
P1234	SVG A	6.8	44.5
P25	SVG A	5.9	71.7
Sapphire IV	SVG A	0.2	0.2
SVG Sapphire IV	SVG A	2.5	2.8
<b>Generalist funds of funds:</b>			
SVG Diamond Holdings	SVG A	-	42.7
SVG Diamond Holdings II	SVG A	-	19.2
SVG Diamond Holdings III	SVG A	22.1	7.3
SVG Asia Fund of Funds	SVG M	21.5	2.0
Schroder PE Fund of Funds III	Schroders/SVG A	0.3	0.4
<b>Other investments:</b>			
SVG India LP	PEIAL*	0.3	8.1
<b>Public equity vehicles:</b>			
SVG Focus Fund	SVG IM	-	9.5
SVG Alpha Fund	SVG IM	-	0.6
SVG European Fund	SVG IM	-	6.0
Strategic Equity Capital plc	SVG IM	-	8.1
Strategic Recovery Fund II co-investment	SVG IM	8.4	15.4

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

Aegon Investment Management BV was the largest investor in SVG Capital plc at 31 December 2008, prior to the Placing and Rights Issue. As part of the Placing announced by the Company on 18 December 2008, the Company agreed to place 10,300,000 new Ordinary Shares with Aegon Nederland NV. The Company paid a commission to Aegon Nederland NV in respect of such Placing of £180,250. The Company also paid a commission of £430,564 to Aegon Nederland NV in respect of its irrevocable undertaking to take up its rights under the Rights Issue announced by the Company on 18 December 2008. In addition, Aegon is the largest investor in SVG A's range of products. As such it could be considered a major supplier under IFRS 8, although since the products in which it has already invested are closed-ended, SVG A's current revenue stream is not reliant on Aegon maintaining its existing investments.

A number of other major investors, including Aviva, Schroders and Permira, signed irrevocable agreements to participate fully in the Rights Issue. In return for these commitments, the Company paid a 1.75% commission to such shareholders in respect of their take-up of shares in the Rights Issue.

Coller International Partners were the major participators in the overall placing of 70 million shares, taking up 50 million shares.

The Company has an investment in KC II, a Dublin-based corporate finance company, holding 29.9% of the issued shares of KC II (24.9% on a diluted basis). This holding was sold following the year-end for consideration of €750,000. In December 2009, the Company transferred its holdings in certain CLO funds to Key Capital in exchange for €3.3 million in cash and some shares in two SVG-advised funds (details below). The CLO funds were as follows: Key Capital SVG CLO Equity Fund; Key Capital SVG CLO Equity Fund II; Clavos Euro CDO; Cordatus Loan Fund; Cordatus Loan Fund II; Dalradian European CLO IV; and Jubilee CDO IV. These assets were included in the June 2009 balance sheet at nil value. The fund assets received from Key Capital were: 250,000 SVG Diamond III shares; and 1,000,000 Sapphire IV shares.

SVG Capital has no employees but uses the services of its wholly-owned subsidiary, SVG A, to provide certain advisory and administrative services to SVG Capital 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 2009 amounted to £4.4 million (2008: £6.1 million). SVG A pays for all staff costs, including the remuneration costs of the Company's Executive Director, Lynn Fordham, as well as the office costs incurred in providing the services to SVG Capital.

SVG Capital has an interest in SVG India LP, in which it is the sole limited partner. PEIAL, a joint venture with SVG A, provides investment advice to SVG India LP, for which it currently receives a fee of \$0.15 million per annum.

In 2007 the Company advanced a loan of £624,000 to SVG Investment Managers Limited, for regulatory capital purposes, which remains outstanding. Interest of 5% per annum is payable on the loan.

At 31 December 2008 SVGA had provided a loan of £15.0 million to SVG Capital at a commercial interest rate. A repayment of £2.0 million was made during the year. In December 2009 SVGA paid a dividend of £13.0 million to SVG Capital, which was used to fully repay the loan.

During the year the Company received dividends of £13.0 million from SVGA (2008: £15.0 million), £0.4 million from SVGIM (2008: £0.4 million) and £0.4 million (2008: £0.02 million) from the Platinum Trust. SVGA also received a dividend of \$0.1 million from SVGNA. There were no other distributions paid by subsidiaries during the year.

At 31 December 2009 the Company had uncalled commitments of £78.8 million to nine private equity funds that were intended to be warehoused for future product launches. These funds have been reclassified in 2009 as investments rather than current assets.

During the year SVGA received €1.6 million of Diamond I 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.

As previously disclosed, the 'Diamond Investment Scheme' enabled external Diamond Advisory Committee Members to purchase shares in Diamond I & II from SVG Capital. Likewise Diamond II shares were made available to SVGA staff. Until they have been transferred, shares remain in the name of SVG Capital but are held on trust for the beneficiaries, pending settlement. A total of 1,035,000 Diamond I shares were sold at NAV to the Diamond Advisory Committee. A further 3,090,000 Diamond II shares were sold at NAV to staff and Diamond Advisory Committee members. At 31 December 2009 the total amounts receivable by the Company under their Scheme was £1.7 million (2008: £4.5 million). A total of 750,000 Diamond I shares and 890,000 Diamond II shares were repurchased by the Company during the year at prevailing NAV. Of these, all the Diamond I shares and 750,000 Diamond II shares were purchased from Key Capital and the other 140,000 Diamond II shares were purchased from Andrew William's children.

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

#### **10 Post balance sheet events**

In February 2010 the Company renegotiated its loan facility. As a result of these discussions, the term of the facility was extended from 11 March 2011 to 17 January 2013, and it was agreed that the loan facility would be reduced from €550 million to €325 million, with further step-downs to €320 million on 11 March 2011, €315 million on 11 September 2001 and €250 million on 11 March 2012.

#### **11 Risks and risk management**

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control, designed to monitor those risks and to provide a monitoring system to enable the Directors to mitigate these risks as far as possible. 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 overleaf.

##### **Valuation and leverage risk**

The Group's exposure to valuation risk comprises mainly movements in the value of its underlying investments. In addition to any Group borrowings the Company also holds interests in funds which are leveraged themselves such as SVG Diamond I, II, III and Vintage I. The additional leverage in these funds may create additional volatility to valuations. All underlying investments are valued at fair value by the Directors in accordance with the current International Private Equity and Venture Capital ("IPEV") Guidelines. The IPEV Guidelines contain detailed methodology setting out best practice with respect to valuing unquoted investments. In valuing its portfolio, SVG Capital is dependent on such information as Permira and other fund managers may provide to it as a limited partner in the relevant fund. Permira and other fund managers are themselves dependent on information made available by the management of the portfolio companies. This information from Permira, other fund managers and portfolio companies is necessarily limited, subjective and depends on the accuracy of judgments by the underlying portfolio companies, many of which are unquoted and not publicly traded and by the general partners and other managers of the funds. There can be no assurance that such information or judgments are accurate or complete. It should be noted that the Company has no direct access to the underlying management accounts of the portfolio companies. Investment in funds requires a long term commitment with no certainty of return. The ability of the funds to achieve capital appreciation could be affected by any significant general change in the value of the investments held by the funds. There can be negative movements in valuations which can be due to deterioration in a specific portfolio company's performance and/or changes in market or public company comparable earnings multiples. In highly leveraged companies, reductions in earnings may have a significantly greater impact on their valuation. Private equity investments, by their nature, involve uncertainty as to the ultimate value likely to be realised upon disposal of those investments (if any), particularly because their predominantly unquoted nature means that a ready market may not exist for them. Portfolio companies may be difficult to value and disposals, if any, of such investments may require a lengthy

period of time depending on the market for such investments at the time. The value of these investments could decrease and SVG Capital, as an investor in a fund, may not recover the full amount of its original investment.

#### **Future commitment/funding risk**

At 31 December 2009, the Group had uncalled commitments, including warehouse commitments, of £371.1 million (2008: £492.9 million), compared to Shareholders' funds of £620.4 million (2008: £434.2 million), including cash balances of £144.1 million (2008: £130.6 million). In addition, the Company has the ability to draw a further €215 million from its loan facility. The Company has reached an agreement with its bankers to extend the form of its revolving credit facility to January 2013, but at the same time reduce the size of the facility from €550 million to €325 million initially, with further step-downs to €320 million in March 2011, €315 million in September 2011 and €250 million in March 2012. The Company has £220.6 million of unsecured Notes in issue, after repurchasing 26.7% of the Notes in January 2009. The Notes are repayable between 2013 and 2015. In addition the Company has £100.1 million of subordinated convertible bonds in issue, repayable in 2016, after buying back £5.1 million par value of convertibles during the year. In March 2009, the Company received gross proceeds of £171.3 million from a Rights Issue and Placing.

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.

#### **Borrowing risk**

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. The Revolving Credit Facility and the Notes each contain financial covenants. The consequences for the Company of breaching such covenants would be serious. The lenders under the Revolving Credit Facility would no longer be required to advance amounts available under the Revolving Credit Facility and amounts outstanding under the Revolving Credit Facility and the Notes may become immediately due and payable by the Company. In such circumstances, the Company may become obliged to sell its assets on unfavourable terms to repay its debts, thereby reducing the returns which shareholders may otherwise have earned. Any such default may also trigger a cross-default under other existing financing arrangements.

The Group Revolving Credit Facility and the Notes may mature before the investments in underlying portfolio companies are realised. In that case, the Group will be required to seek a refinancing. There can be no assurance that the Group will be able to obtain new finance on competitive terms or at all and therefore it may suffer a loss as a result of having to dispose of investments at a price which does not reflect the full value of the asset which may be achieved upon its maturity.

A failure to obtain new finance could result in a member of the Group defaulting on its obligations which could have a material adverse effect on the Group. The Revolving Credit Facility is currently available until January 2013. The convertible bonds mature in 2016 and the Notes are due in 2013, 2014 and 2015.

#### **Default risk**

A fund's documentation generally provides for certain penalties in the event that an investor in the fund fails to meet a call. There is typically a grace period during which interest accrues on the unpaid amount. If the default continues, the investor may become subject to various sanctions, including termination of the investor's right to participate in future investments, loss of its entitlement to distributions or income but not its liability for losses or expenses, mandatory transfer or sale of its interest, continuing liability for the principal and interest in respect of the defaulted amount and partial or total forfeiture of the investor's interest. In addition, the general partner or manager may have other rights and remedies (including legal remedies). The investor may also remain liable for future calls in respect of the relevant fund as and when they are made. There can be no assurance as to the price which may be achieved in any mandatory transfer or sale following a default on a call. Certain funds give the general partner or manager the right to proceed directly to forfeiture proceedings following notice and continuation of default by an investor. In the case of a forfeiture, the share of the fund held by the defaulting investor would generally be allocated among the general partner or manager and the remaining investors. In addition, the investor may remain liable for the defaulted amount. Consequently, any failure by SVG Capital to meet any call may have a material adverse effect on the value of SVG Capital's interest in a fund and/or on the net asset value of SVG Capital and/or on SVG Capital's ability to generate returns for its Shareholders. In addition, a failure to meet a call may result in a cross-default under the Notes and the Revolving Credit Facility which could result in a substantial loss.

If another investor or limited partner in a fund in which the Company holds an interest were to default on a call, this may result in the other investors (including the Company) in the fund in question becoming subject to individual calls of a larger amount (but subject to each investor's original capital commitment) and, in addition, the fund in question may make fewer or smaller or more highly leveraged investments. Any such occurrence may lead to a reduction in the diversification of the Company's interests in underlying portfolio companies, increase volatility, increase the Company's financing requirements and may have an adverse effect on the Company's business and prospects.

#### **Investment holding risk 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.

Current market conditions have made it more difficult for general partners or other managers of private equity funds to dispose of investments at attractive prices and otherwise on favourable terms. The Company considers that it is likely that these difficult circumstances will continue in the short to medium term and, while they do continue, it may be that the returns of the Company from its investments will be reduced and/or delayed.

Any further material change in the economic environment, including a continued slowdown in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the underlying portfolio companies. SVG Capital's performance may be affected by prolonged weakness or further deterioration in public markets and by market events, which may impact on not only its quoted portfolio companies but also the public company comparable earnings multiples used to value unquoted portfolio companies.

A further consequence of the difficulty in achieving attractive sale prices for portfolio companies is that the general partners, or other managers, of the private equity funds in which the Company holds interests are more likely to delay disposing of portfolio companies until market conditions improve. As a result, the Company is likely to receive distributions in respect of its investments at a slower rate than may have otherwise been the case in a more favourable economic environment. In addition to this, a fund manager's ability to realise its interest in certain portfolio companies in whole or in part may be subject to contractual restrictions such as shareholder lock-up arrangements. It may therefore be the case that the Company decides to pay calls with debt finance rather than relying upon receiving distributions from investments which it has made which may therefore increase the Company's borrowings and risk and volatility for Shareholders. There can therefore be no assurance as to whether, and if so how much, the value of the Company's assets will grow. The timing of returns, if any, to SVG Capital 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 sometimes 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.

The Company's portfolio is concentrated with respect to private equity fund managers as explained below and this may impact the ability to place a large holding of a single fund on the secondary market at any one time.

#### **Concentration risk**

The Company's ability to achieve its investment objective and to generate returns for Shareholders will depend upon the ability of the general partners and other managers of the funds in which the Company holds interests (including Permira Funds) to identify, invest in, support and dispose of portfolio companies on attractive terms. 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 has invested. 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. The performance of Permira Funds depends to a significant extent upon the skills and experience of Permira and its personnel. The continued service of these individuals is not guaranteed and there can be no assurance that key individuals can be replaced with equally skilled and experienced professionals by Permira. Therefore, the departure of one or several key investment professionals or partners at Permira may have an adverse effect on the performance of the Company and the value and trading price of the Ordinary Shares. Each fund investment proposition is considered by 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.

#### **Portfolio company risks**

Since the Company invests through private equity funds in portfolio companies, the risks experienced by the portfolio companies will closely affect the returns earned by the Company and the trading price and value of its Ordinary Shares. The risks which the portfolio companies may experience, and the risks posed by an investment in such companies, include:

- these companies may be highly leveraged and subject to significant debt service obligations, stringent operating and financial covenants and a higher risk of default under financing and other contractual arrangements, which would lead to severe adverse consequences for the relevant portfolio company and the value of the Company's investment in such company if a default were to occur;
- the valuations of highly leveraged companies are typically more sensitive to changes in value in public company comparable earnings multiples, declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The risk of loss associated with a highly leveraged company is generally far greater than for companies with comparatively less debt;
- they may have limited financial resources and may be unable to meet their obligations under their debt facilities, or to refinance debt facilities when they fall due, which may be accompanied by a deterioration in the value of their equity securities in which the Company is ultimately invested;

- they may require significant additional capital investment or operational or management support to improve their operations, finance expansions or maintain their competitive positions. Such investment and support may not be forthcoming;
- generally, little public information exists about these companies and investors in these companies generally must rely on information obtained by the general partner, or other manager, of the relevant fund which holds the portfolio company;
- reliance is placed on the general partner as to the adequacy or accuracy of information provided during any due diligence exercise conducted prior to an investment being made. The general partner, or relevant manager, of the fund in question may have made judgments concerning the materiality of contingent or actual risks or liabilities identified during due diligence that may not in practice turn out to have been accurate;
- the purchase agreements relating to the investment in question may contain only limited representations and warranties from the relevant vendors and these may be limited in, for example, time and amount. Such contractual protection would typically not be addressed to the Company directly and, in any case, there can be no assurance as to the ability of the relevant vendor to satisfy any claims which may be made under any such agreement;
- general operating risks arising from or being, amongst other matters, the cost of goods and services, difficulty in obtaining customers, losses arising from customer failure, market developments, competition risk, key man risk, foreign exchange risk, financing risks, an increase in costs and the legal and regulatory framework within which the portfolio company operates;
- there are likely to be prior claims on the assets of portfolio companies from debt providers which would reduce the amounts earned by the equity holders including, indirectly, the Company; and
- lenders to portfolio companies may take actions which are adverse to the interests of the holders of equity interests in the portfolio company including, indirectly, the Company.

The value of the portfolio companies held by the funds in which the Company holds interests may be affected by uncertainties, such as political developments, changes in government policies, regulations, laws, taxation, currency fluctuations, currency repatriation and other restrictions, in some of the countries in which the funds may invest. The Company, directly or indirectly through the funds in which the Company holds interests, may also be exposed to these risks.

#### **Passive investor with limited recourse**

The Company is generally a passive investor and has limited powers under the governing documents of the funds in which it holds interests. The funds concerned are, within certain broad parameters, generally authorised to follow broad investment guidelines and, subject thereto, are able to invest in geographies, industries and investment opportunities at their discretion. The Company does not review each proposed investment and is, subject to certain limited exceptions, unable to refuse to meet a Call without suffering the consequences of a default. There can be no assurance that the strategies adopted by Permira or other general partners or managers of the funds in which the Company holds interests will be successful or that the portfolio companies of such funds, or the Company's investments generally, will appreciate in value.

The Company also holds some investments in funds in respect of which other members of the Group are the general partner, manager and/or adviser. In these instances, fiduciary duties are owed by the relevant members of the Group to other investors which, together with the terms of the relevant fund management or advisory agreement, mean that the relevant members of the Group are unable to submit each proposed investment for review by the Company which will, therefore, remain a passive investor in respect of the relevant fund.

The Company cannot make claims against general partners or managers of the funds in which the Company invests even in cases of poor performance except in very limited circumstances typically involving severe culpability on the part of the general partner or manager. The Company's recourse in the event of poor performance of the funds concerned is highly restricted. Removal of the general partner or manager of a fund generally requires a high level of investor participation and consent with the relevant threshold often being set so as to require the consent of holders of 75% of the capital committed to the fund in question. The Company is unlikely to be able to procure such participation and consent on its own and it may therefore be very difficult to remove a general partner or manager of a fund in which the Company invests such that the Company may potentially find itself locked into an under-performing fund.

The fund documentation relating to Permira IV contains no provision for the removal of the general partner or manager by vote of the limited partners save in circumstances involving severe culpability. Even if those circumstances were to arise, which the Company considers to be unlikely, the consent of a special majority of limited partners would be required which the Company is unlikely to be able to procure on its own. Once the Company has made a capital commitment to a fund, it may be difficult to terminate its participation or reduce its capital commitment even if the investment returns arising from that fund are poor or not competitive.

**Currency and interest rate 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. Currency risk is monitored on a regular basis by the Board. The Group may from time to time hedge against foreign currency movements affecting the value of its balance sheet.

**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. Certain other subsidiaries are regulated by foreign regulators.

There are a number of legislative initiatives to increase regulation of the alternative investments sector including private equity. Such legislation has not been finalised, however there is a risk that such legislation, when enacted, could materially affect the business of the Company or its subsidiaries.

**Risk of warehousing assets**

The Company has, in the past, occasionally made commitments to fund investments in order to seed a prospective SVG Advisers product and then warehoused the investments on the balance sheet until the product was launched. In the current difficult fund raising environment, there is a risk that no new funds will be raised in the near future into which these commitments can be transferred. The Company will therefore either have to sell these investments or hold them on its balance sheet.

**Taxation risk**

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 which would have a material adverse effect on the net returns earned by SVG Capital. 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. However, there can be no guarantee in advance that the Company will satisfy the conditions for approval by HMRC as an investment trust under Section 842 or that the Company will not become a close company, which would result in its being unable to qualify as an investment trust for tax purposes. The Company has agreed allocation arrangements within the documentation of Permira Funds in order to assist in compliance with the conditions for approval by HMRC as an investment trust under Section 842. There can be no guarantee or assurance however that such arrangements will be secured for future investments. Any failure to do so will increase the risk of a breach of Section 842.