

PRIVATE EQUITY INVESTOR PLC

Annual Report
For the year ended 31 March 2007

INVESTMENT OBJECTIVE AND POLICY

The Company was launched in February 2000 and provides both private and institutional investors with a means to participate in specialised venture capital funds in the USA, a category of funds that is not otherwise accessible to many investors.

The Company's objective is to achieve substantial capital appreciation for shareholders over the long term. The Company's policy has been to invest in high quality venture capital funds, managed by several different management groups, focused on various stages of growth from early stage to pre-IPO, so as to obtain exposure to a diversified underlying portfolio of investments in unlisted companies in the IT and other technology sectors. Such funds have been selected with regard to the experience and track record of the managers, their investment strategy and their strength and quality of deal flow.

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SUMMARY OF RESULTS AND FINANCIAL HIGHLIGHTS

	<i>31 March 2007</i>	<i>31 March 2006</i>	<i>% change</i>
Net assets and shareholders' funds in US dollars	\$170,065,000	\$148,115,000	14.82
Net assets per ordinary share in US\$ "NAV"	340.14c	296.23c	14.82
Net assets and shareholders' funds	£86,708,000	£85,391,000	1.54
Net assets per ordinary share "NAV"	173.42p	170.78p	1.55
Mid-market price per ordinary share	167.00p	164.75p	1.37
Discount to NAV	3.70%	3.53%	
Net revenue return after taxation	£709,000	£(248,000)	
Net total return	£1,317,000	£27,728,000	
Total return per ordinary share	2.64p	55.45p	
Total expense ratio	0.7%	0.8%	
Exchange rate at year end (US \$/£)	\$1.96135	\$1.73455	

CHAIRMAN'S STATEMENT

I am pleased to present the results for Private Equity Investor PLC ("PEI" or "the Company") for the year ended 31 March 2007.

Results and dividend

The Company's Net Asset Value ("NAV") at 31 March 2007 was 173.42p, compared with 170.78p a year earlier, an increase of 1.55%. The NAV per share in dollars, the currency in which the Company's investments are made, rose by 14.82%, from 296.23c per share to 340.14c per share. This compares favourably with the NASDAQ Composite Index, which rose by only 3.5% (from 2339.79 to 2421.64). However, the dollar weakened against sterling during the period, with the exchange rate moving from \$1.73 to \$1.96.

During the year, the Company generated significant investment income and a dividend of 1.10p per Ordinary share will be paid on 11 October 2007 to shareholders on the Register on 10 August 2007.

Distributions from fund investments

The twelve months under review saw the Company continue to receive a high level of distributions in cash and securities from its investments in venture capital funds ("Funds"). The total value of these distributions was \$32.5 million, compared with \$31.4 million in the previous year. Of this sum, \$13.2 million was realised from the sale of Baidu stock (received from DFJ ePlanet) resulting in a 42.3x return on the underlying investment. A further small holding of Baidu remains to be distributed by this Fund. A further \$4.1 million was received in cash as a result of the sale of Redback Networks, (a TCV IV holding), which resulted in a 3.1x return on the underlying investment and \$3.3 million in cash came from the sale of Colloquis, (a Dawntreader II holding), in a transaction that returned 1.7x on the underlying investment. The balance of \$11.9 million, of which \$5.7 million was cash, was received from a number of smaller realisations.

In March this year an initial distribution was received of DivX shares (a Zone Ventures II holding) followed by a second distribution in April, totalling 96,280 shares. These shares were sold at a premium to the distribution price of \$20.43 per share, raising \$2.1 million of which \$227,000 was received prior to year end. We estimate that there remain up to 338,000 shares of DivX which PEI may receive in future distributions from Zone Ventures II.

A number of Funds held by the Company have written up the holding value of their portfolio investments in line with the Financial Accounting Standards Board's FAS 157, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Although not technically effective until 2008, this standard is beginning to be applied and should generally result in higher valuations, as underlying investments are valued at fair value rather than principally on a transaction basis or in order to recognise a provision.

The Company's year-end cash and readily realisable assets totalled \$65.4 million, compared with outstanding commitments of \$25.2 million. Of this figure approximately \$13.7 million is due to be called from the original portfolio and \$11.5 million from the three more recent holdings. The Company's year-end liquid assets exceeded its commitments by \$40.2 million.

New initiatives

As announced with the interim results in December last year, PEI has been exploring new ways to develop its business. The Company initially raised funds in 2000 and was rapidly invested in a portfolio of funds that were principally of the 1999 and 2000 "vintages". There followed a period when no new commitments were made, pending the receipt of distributions that would permit a new phase of investment. During this time, the Company's shares began to trade at a substantial discount to NAV and a significant transfer of ownership of the Company's shares took place. The principal new shareholders who came onto the register at this time and who now own a major part of the share capital, have indicated to the Board that they wish to see the principal part of the return cash flows from the existing Funds distributed to investors, rather than being allocated to new long-term commitments. The Board has accepted this view and it announced in the Interim Statement that it was looking to return cash to shareholders in a tax efficient way. In time, this is expected to result in a substantial majority of the value held in the existing portfolio of Funds being returned to shareholders. The Board believes, however, that there is value in PEI over and above its current

CHAIRMAN'S STATEMENT (CONTINUED)

Fund portfolio. In this context, the Company has announced the formation of Campton Group, in which it proposes to have a majority interest. Campton, of which further details are given below, will initially advise the Company on its existing portfolio and intends to develop a fund-of-funds management and advisory business that may provide its services both to the Company and to third parties. Campton will also structure and raise new funds in which PEI may invest. Whilst the business of Campton is being developed, PEI has made a number of commitments to highly regarded private equity and venture capital funds with the intention of transferring these to a new fund-of-funds vehicle to be raised by PEI and Campton. The Company believes that these "warehoused" commitments will be the cornerstone of a new fund-of-funds and that PEI will benefit both from participation in this and from the development of Campton's fund management business in which it will own a controlling interest.

Distribution to shareholders

As at 1 August 2007, the Company had approximately \$69 million in cash and readily realisable assets on hand, approximately \$31 million in unfunded commitments and additional amounts available to be committed under the warehousing programme. The Company now plans to distribute at least \$20 million to shareholders in 2007 and is seeking the most tax efficient manner in which to do so. It is envisaged that, after this distribution is made to shareholders, the Company will continue to periodically distribute excess funds to shareholders.

Market overview

In 2006, fundraising by US venture capital firms continued to increase at a relatively steady pace with 212 funds raising \$30.2 billion in 2006 compared with 218 funds raising \$27.9 billion in 2005 and 205 funds raising \$18.5 billion in 2004.

In the first quarter of 2007, venture capitalists invested \$7.1 billion into 778 deals, the highest quarterly dollar amount since the fourth quarter of 2001, according to the MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association based on data by Thomson Financial. Whilst the number of venture investments declined in the quarter, compared with the fourth quarter of 2006, this reflected a trend of more dollars being invested in each round. Investments in later stage companies, however, increased significantly in the first quarter of 2007 with \$3.0 billion going into 245 deals compared with \$1.9 billion invested in 207 deals during the fourth quarter of 2006. This was the highest dollar level in over six years.

In the twelve months to 31 March 2007 there were 64 venture-backed Initial Public Offerings ("IPOs"), raising \$6.7 billion, compared with 56 IPOs raising \$4.3 billion in the previous year. In the first quarter of 2007, seventeen venture-backed companies undertook IPOs, raising \$2.1 billion, compared with the first quarter of 2006 when only ten venture-backed companies went public, raising \$541 million. Venture-backed merger and acquisition activity declined significantly with only 62 transactions completed during the first quarter of 2007 compared with 104 in the first quarter of 2006. However, the average disclosed deal size for the first quarter of 2007 was \$161.2 million, one of the higher quarters in the last five years.

Portfolio review

As at 31 March 2007, the Company's portfolio Funds held underlying investments in over 450 private and over 55 public companies. These underlying investments represent approximately 60% of the Company's net asset value (2006: 70%) Of the 21 Funds that make up the portfolio, 14 reported a gain in value over the period. Portfolio Funds made 116 new investments (2006: 82), and 202 follow-on investments (2006: 247) which resulted in draw downs by portfolio Funds totalling \$11.6 million (2006: \$23.6 million). A total of 145 underlying investments were written up (2006: 116) by the Funds, 112 were written down (2006: 83), and 74 underlying investments were written off (2006: 62).

As noted above, distributions during the year ending 31 March 2007 totalled \$32.5 million compared with \$31.4 million for 2006 and \$5.7 million for 2005. Cash distributions accounted for \$13.1 million compared with \$20.3 million in 2006 and \$4.3 million in 2005. The balance of \$19.4 million was received in the form of stock distributions and compares with \$11.1 million for 2006 and \$1.4 million for 2005.

CHAIRMAN'S STATEMENT (CONTINUED)

During the fiscal year under review, 14 of PEI's underlying portfolio companies undertook IPOs (2006: seven). These were:

Techwell (TCV IV): a fabless semiconductor company that designs, markets and sells mixed signal integrated circuits for multiple digital video applications in the consumer, security surveillance and automotive markets, including advanced TVs, multifunction LCD monitors, DVD recorders, security surveillance systems and in-car LCD displays.

Targacept (NEA 10): a biopharmaceutical company engaged in the design, discovery and development of a new class of drugs to treat multiple diseases and disorders of the central nervous system by selectively targeting neuronal nicotinic receptors.

Novacea (NEA 10): a biopharmaceutical company focused on in-licensing, developing and commercialising novel therapies for the treatment of cancer.

Vonage (NEA 10): a leading provider of broadband telephone services utilising innovative Voice over Internet Protocol or VoIP.

DivX (Zone II): a leading consumer-focused, video technology company positioned at the centre of multimedia convergence. The company's core offering is the DivX video codec, the world's most popular MPEG-4 compatible video compression-decompression technology with over 100 million users worldwide.

CommVault Systems (Sprout IX): a company that provides a suite of software that helps to efficiently and reliably perform all aspects of data management – including archive, protection, recovery, remote office and disaster recovery and storage resource management.

eHealth, Inc (Sprout IX): sells health insurance over the internet to individuals, families and small businesses. The company is licensed to sell in all 50 states and Washington DC. eHealth has partnerships with some 140 health insurance carriers, enabling it to offer more than 5,000 products online – including health, dental, vision, term life, student health and short-term health insurance products.

Isilon Systems (Focus II): develops and markets intelligent clustered storage systems for data-intensive businesses and clustered computing environments.

Affymax (Sprout IX): a biopharmaceutical company creating novel approaches for improving patient care for serious and life-threatening conditions in kidney disease and cancer.

Thermage (DFJ ePlanet): a medical device company that has developed and is commercialising advanced radio-frequency technologies for dermatology and plastic surgery applications.

Point-1 (DFJ ePlanet): (listed on KOSDAQ, Korea's version of America's Nasdaq): a spin-off from Korea Telecom in 1998, based in Seoul, Korea. Point-1 is an early leader in the development of location enabling technologies and application services, and provides carrier-grade LBS/GIS platforms based on scalable and open middleware.

Hansen Medical (Vanguard VII): has developed an electromechanical robot to provide accurate and efficient control over catheter movement during cardiac interventional procedures.

Glu Mobile Inc (NEA 10): a global publisher of mobile games.

Sourcefire, Inc (NEA 10): a provider of intelligence driven, open source network security solutions that enable users to protect their computer networks.

CHAIRMAN'S STATEMENT (CONTINUED)

The Campton Group, Inc.

As previously reported, PEI has financed the formation of the Campton Group, Inc. (www.camptongroup.com) with a view to developing a private equity fund-of-funds management and advisory business. The Campton Group is headed by Allen Latta, who has nearly 20 years' experience in private equity, venture capital and corporate finance. Campton is based in San Francisco, California, which together with Silicon Valley forms the hub of venture capital activity in the United States. Personal relationships are an important aspect of the venture capital industry and Campton's location in San Francisco provides a strategic advantage in maintaining and developing these relationships.

PEI has financed Campton to date and will have a majority stake in the company once it is fully operational with the balance being held by the management team of Campton. PEI and Campton have entered into an advisory agreement effective 1 April 2007, whereby Campton provides certain non-discretionary advisory services to PEI with respect to its current fund investment portfolio. This structure, combined with the warehoused portfolio of commitments, provides the foundation for raising a new fund-of-funds vehicle that PEI and Campton plan to launch.

Post period events

As part of the warehoused commitment strategy, PEI has recently made commitments to two new funds in highly regarded and over-subscribed partnerships, Institutional Venture Partners and Vector Capital. In May, PEI made a \$5 million commitment to Institutional Venture Partners XII, L.P. With more than \$2.2 billion of committed capital, Institutional Venture Partners ("IVP") is one of the premier later-stage venture capital firms in the United States. Founded in 1980, IVP invests in venture growth, industry consolidations, recapitalisations and select public market transactions. During its 26-year history, IVP has invested in over 200 companies – with more than 80 IPOs to its credit. IVP XII will focus on three target sectors: Communications and Wireless, Internet and Digital Media and Enterprise IT companies.

In July, PEI made a \$4 million commitment to Vector Capital IV, L.P. Vector Capital is a specialist investor in small-cap buy-outs, restructurings and spin-outs in the technology sector. Vector received substantial press coverage for its highly successful take-private of Corel Corporation, the maker of WordPerfect software. Vector Capital was founded in 1997 and has, with the closing of Fund IV, over \$1.8 billion in capital under management.

Together with its commitments to IVP XII and Vector Capital IV, PEI has made five commitments totalling \$22 million under its warehoused commitment strategy. PEI may make further selected commitments as part of this ongoing strategy but plans to transfer all of the 'warehoused' commitments to the new fund-of-funds vehicle upon its closing.

Outlook

The Venture Capital industry in America is in a healthy position at the current time with few signs of overheating. The lessons of the 2000 boom still appear to be heeded with the industry growing at a steady, measured pace. For example, overall pre-money valuations for venture funding rounds remain broadly similar to those of 2006, having risen from the relatively low levels of the early 2000 period. Within industry sectors, media/entertainment and internet specific companies continue to receive more interest and investment and recently a new category for the industry, cleantech, has also seen significant new investment by a number of groups.

We expect that the Company's original portfolio will continue to deliver a steady flow of distributions, though the mix of sales and IPOs may be more balanced as corporations have slowed their acquisition pace while the number of companies seeking IPOs has increased. As noted in the half year statement we are exploring ways of returning capital to shareholders in a tax efficient manner and plan to make an initial start to this process later this year with a distribution of at least \$20 million.

PETER DICKS

Chairman

21 August 2007

REVIEW OF INVESTMENTS

Summary of Individual Venture Funds Investments:

<i>Name</i>	<i>Total commitment US\$</i>	<i>Total drawdown 31 March 2007 US\$</i>
APV Technology Partners III	5,000,000	5,000,000
Bay III	5,000,000	4,900,000
Crescendo IV	10,000,000	10,000,000
Dawntreader Fund II	30,000,000	28,500,000
Draper Fisher Jurvetson ePlanet Ventures	30,000,000	26,250,000
Draper Fisher Jurvetson Fund VI	2,000,000	1,910,000
Draper Fisher Jurvetson Fund VII	5,000,000	4,127,500
Draper Fisher Jurvetson Gotham Venture Fund	3,000,000	2,700,000
Focus Ventures II	30,000,000	28,050,000
Francisco Partners II	5,000,000	937,500
New Enterprise Associates 9	5,000,000	4,919,438
New Enterprise Associates 10	10,000,000	9,000,000
New Enterprise Associates 12	3,000,000	360,000
Oak Investment Partners X	10,000,000	9,317,194
Sprout Capital IX	3,750,000	3,493,486
Technology Crossover Ventures IV	25,000,000	22,777,500
Vanguard VII	3,000,000	2,550,000
VantagePoint Venture Partners IV	10,000,000	9,500,000
VantagePoint Venture Partners 2006 Fund	5,000,000	250,000
Zone Venture Fund II	10,000,000	10,000,000
Zone Venture Fund II Annex	400,000	400,000
	210,150,000	184,942,618

Review of Individual Venture Funds

APV Technology Partners III

APV invests primarily in early stage, privately held information technology companies. APV works with companies that have experienced management, address substantial growing markets and which possess proprietary or innovative technology.

Total committed capital	\$109m
Private Equity Investor commitment	\$5m
Total Drawdown (31 March 2007)	\$5m

Bay III (www.baypartners.com)

Bay Partners has been active in early stage technology investment since 1976, funding over 200 technology and healthcare start-up companies to date with over one billion dollars of capital under active management. Bay looks for companies with real technology differentiation with the aim of building large, substantial companies.

Bay III invests primarily in California and the Pacific North West, typically investing between one to ten million dollars in seed to early stage companies.

Total committed capital	\$179m
Private Equity Investor commitment	\$5m
Total Drawdown (31 March 2007)	\$4.9m

REVIEW OF INVESTMENTS (CONTINUED)

Crescendo IV (www.crescendoventures.com)

Crescendo is an internationally focused venture capital firm with offices in Palo Alto, California, London and Minneapolis and currently manages over one billion dollars. The Group has managed investments in over 150 early stage companies, concentrating on the communications and enterprise infrastructure markets in areas ranging from software, storage and security to semiconductors, networking equipment and electronic and optical components. Investments have been made in the US, the UK, Continental Europe and Israel.

Total committed capital	\$574m
Private Equity Investor commitment	\$10m
Total Drawdown (31 March 2007)	\$10m

Dawntreader Fund II (www.dtventures.com)

Formed in 1998, Dawntreader Ventures is a New York-based venture capital firm, managing \$270 million, focusing primarily on early stage information technology companies investing in software, internet and digital media companies. The group has made some 30 investments and achieved a number of successful exits.

Total committed capital	\$202m
Private Equity Investor commitment	\$30m
Total Drawdown (31 March 2007)	\$28.5m

Draper Fisher Jurvetson ePlanet Ventures (www.dfjeplanet.com)

Draper Fisher Jurvetson ePlanet Ventures (DFJ ePlanet) is a joint venture with Draper Fisher Jurvetson and is a global venture capital firm that operates offices in Silicon Valley, California, Singapore, Beijing and Shanghai, Hong Kong, Seoul, London, Tokyo and New Delhi.

Founded in 1999 to take advantage of the growing trend towards the globalisation of technology, DFJ ePlanet, with over \$650 million under management, focuses on a broad range of interests in the information technology, life sciences and medical device sectors. In the US the company focuses on expansion and later stage investments and in seed to late stage investments in Europe, Israel and Asia. DFJ ePlanet's investments are currently focused primarily on wireless, semiconductor, consumer internet, life sciences, VOIP, broadband and other emerging services sectors.

Total committed capital	\$646m
Private Equity Investor commitment	\$30m
Total Drawdown (31 March 2007)	\$26.25m

Draper Fisher Jurvetson Fund VI & Fund VII (www.dfj.com)

Founded in 1985, Draper Fisher Jurvetson has created a global network of affiliated venture funds with over \$4.5 billion in capital commitments and has offices in more than 30 major technology centres around the world. Since 1985 the firm has focused on investing in seed or start-up venture capital rounds primarily in a broad range of information technology companies.

Total committed capital (Fund VI)	\$378m
Private Equity Investor commitment (Fund VI)	\$2m
Total Drawdown (31 March 2007)	\$1.91m

Total committed capital (Fund VII)	\$643m
Private Equity Investor commitment (Fund VII)	\$5m
Total Drawdown (31 March 2007)	\$4.128m

REVIEW OF INVESTMENTS (CONTINUED)

Draper Fisher Jurvetson Gotham Venture Fund (www.dfjgotham.com)

This fund is a DFJ affiliate fund investing in early stage technology companies located in the US, primarily along the East Coast, as well as companies of Israeli origin intending to enter the US market. The fund's objective is to achieve superior returns for its investors through investing \$1.2 million in a company initially and reserving sufficient capital for larger follow on investments in innovative companies which serve large markets.

Total committed capital	\$86m
Private Equity Investor commitment	\$3.0m
Total Drawdown (31 March 2007)	\$2.7m

Focus Ventures II (www.focusventures.com)

This partnership focuses on investments in expansion stage private technology companies that have moved beyond the initial seed or start-up phase of their development, have completed initial product development and are beginning to expand the marketing of their products or services. The partnership concentrates on making investments in the software, communications and semiconductor sectors at a stage where it believes the technical risk has been largely resolved. Investments are typically in the \$3–15 million range, with Focus serving as lead investor in approximately half of the rounds in which they participate.

Total committed capital	\$443m
Private Equity Investor commitment	\$30m
Total Drawdown (31 March 2007)	\$28.05m

Francisco Partners II (www.franciscopartners.com)

Francisco Partners, based in Menlo Park, California, have approximately \$5.0 billion of committed capital under management. They invest in divisional divestitures, acquisitions of private and public companies, and strategic minority investments in public and private companies. The group has a team of 30 investment professionals worldwide and seeks investments ranging from, in some cases, less than \$25 million to over \$500 million. Francisco are active across a broad range of technology sectors including semiconductors and capital equipment, electronics components and manufacturing, IT services and business process outsourcing (BPO), communications, security, and application and infrastructure software.

Total committed capital	\$2.2 billion
Private Equity Investor commitment	\$5m
Total Drawdown (31 March 2007)	\$0.938m

New Enterprise Associates 9, 10 & 12 (www.nea.com)

New Enterprise Associates was set up in 1978 and invests primarily in the technology and healthcare industries. The combined contributed capital for NEA partnerships to date is over \$8.5 billion. NEA is a classic early stage venture capital firm and, while many of its investments are in the seed and start-up stages of development, it also invests in expansion and mezzanine financings. With offices in Menlo Park, California, Reston, Virginia and Baltimore, Maryland, a majority of NEA's portfolio companies are close to an NEA office. NEA has funded over 500 companies, of which more than 150 have gone public and more than 200 have successfully merged or been acquired.

Total committed capital (NEA 9)	\$880m
Private Equity Investor commitment (NEA 9)	\$5m
Total Drawdown (31 March 2007)	\$4.919m

Total committed capital (NEA 10)	\$2.3 billion
Private Equity Investor commitment (NEA 10)	\$10m
Total Drawdown (31 March 2007)	\$9m

Total committed capital (NEA 12)	\$2.5 billion
Private Equity Investor commitment (NEA 12)	\$3m
Total Drawdown (31 March 2007)	\$0.36m

REVIEW OF INVESTMENTS (CONTINUED)

Oak Investment Partners Fund X (www.oakimv.com)

Oak Investment Partners is a multi stage venture capital firm with a total of \$8.4 billion in committed capital. Investments are primarily focused on growth opportunities in enterprise application and infrastructure software, communication equipment and services, data storage, financial services technology, outsourced services, healthcare services and retail. For over 29 years, Oak has achieved a strong track record funding more than 435 companies at various points in their lifecycle. Oak seeks ownership levels of at least 15% with many positions greater than 30%. Investments will typically range from \$15–100 million.

Total committed capital	\$1.6 billion
Private Equity Investor commitment	\$10m
Total Drawdown (31 March 2007)	\$9.317m

Sprout Capital IX (www.sproutgroup.com)

Originally founded in 1969, Sprout invests in emerging technology companies and is the venture capital affiliate of Credit Suisse First Boston. The Sprout Group has raised total committed capital of nearly \$3 billion and financed over 350 companies. The fund's targeted industry segments are communications, software and healthcare technology and in industries with rapid long-term growth or that are experiencing significant structural changes. Sprout Group seeks existing or potential market leaders within these sectors and will invest in companies at all stages from start-up through to buyout.

Total committed capital	\$1.08 billion
Private Equity Investor commitment	\$3.75m
Total Drawdown (31 March 2007)	\$3.493m

Technology Crossover Ventures IV (www.tcv.com)

TCV invests in expansion and late stage companies in a broad range of sectors including software, communications, infrastructure, services and semiconductors. The group also invests in public companies through private (PIPE) and public transactions. TCV has \$4.7 billion under management and has financed over 150 companies. It has helped companies and their management teams achieve over 40 IPOs and 25 strategic sales or mergers.

Total committed capital	\$1.64 billion
Private Equity Investor commitment	\$25m
Total Drawdown (31 March 2007)	\$22.778m

Vanguard VII (www.vanguardventures.com)

Founded in 1981, Vanguard is an early stage venture capital firm specialising in the communications, life sciences and information technology fields with offices in Palo Alto, California, and Houston, Texas. Over the last 26 years Vanguard has invested in over 120 companies, 30 of which have had notable success including public companies such as Advanced Fibre Communications, Cobalt Networks, Ciena, Endotherapeutics, Network Appliance, Digital Island and ZipRealty.

Total committed capital	\$211m
Private Equity Investor commitment	\$3m
Total Drawdown (31 March 2007)	\$2.55m

REVIEW OF INVESTMENTS (CONTINUED)

VantagePoint Venture Partners IV and 2006 Fund (www.vpvp.com)

Since 1996 VantagePoint has raised over \$4 billion of committed capital and is an active multi-stage investor with offices in San Bruno, California, New York and Montreal. The fund seeks investment opportunities that typically require \$20 to \$100 million ranging from start-ups to pre-IPO funding. VantagePoint prefers to take a position of some substance and has served as the sole or co-lead investor in more than 150 of its portfolio companies, and has helped more than 600 companies complete IPO's or M&A transactions. The investment focus falls into five key areas: CleanTech (the application of technology to energy, water and materials), communications and systems, healthcare, semiconductors and components and software, internet and media.

Total committed capital (VPVP Fund IV)	\$1.4 billion
Private Equity Investor commitment (VPVP Fund IV)	\$10m
Total Drawdown (31 March 2007) (VPVP Fund IV)	\$9.5m

Total committed capital (VPVP 2006 Fund)	\$1.0 billion
Private Equity Investor commitment (VPVP 2006 Fund)	\$5m
Total Drawdown (31 March 2007) (VPVP 2006 Fund)	\$0.25m

Zone Ventures Fund II (www.zonevc.com)*

Zone focuses on early stage technology investments and is the Southern California affiliate to Draper Fisher Jurvetson. Zone has built strong relationships with universities, R&D labs, entrepreneurs and financial institutions and aims to bridge the gap between new technology and investment capital. Zone has concentrated on making investments in the southern California area but does consider investments outside California.

Total committed capital	\$97m
Private Equity Investor commitment*	\$10m
Total Drawdown (31 March 2007)*	\$10m

Portfolio summary

Total Commitment	\$210,150,000
Total Drawdown at 31 March 2007	\$184,942,618

* Does not include the Company's investment in the Annex Fund of \$400,000.

PETER DICKS
Chairman
21 August 2007

INVESTMENT PORTFOLIO

as at 31 March 2007

	<i>Total commitment US\$*000</i>	<i>Market value US\$*000</i>	<i>Market value £*000</i>	<i>% of net assets 2007</i>	<i>% of net assets 2006</i>
<i>Unquoted Venture Capital Funds</i>					
APV Technology Partners III	5,000	961	490	0.6	0.8
Bay III	5,000	674	344	0.4	0.7
Crescendo IV	10,000	4,187	2,135	2.5	2.5
Dawntreader Fund II	30,000	17,313	8,827	10.2	10.4
Draper Fisher Jurvetson E-Planet	30,000	14,268	7,274	8.4	14.4
Draper Fisher Jurvetson Fund VI	2,000	1,469	749	0.9	0.4
Draper Fisher Jurvetson Fund VII	5,000	3,179	1,621	1.9	2.0
Draper Fisher Jurvetson Gotham	3,000	1,943	991	1.1	1.5
Focus Ventures II	30,000	13,738	7,004	8.1	8.7
Francisco Partners II	5,000	790	402	0.5	–
New Enterprise Associates 9	5,000	1,665	849	1.0	1.2
New Enterprise Associates 10	10,000	6,180	3,151	3.6	4.4
New Enterprise Associates 12	3,000	316	161	0.2	–
Oak Investment Partners X	10,000	5,493	2,801	3.2	4.4
Sprout Capital IX	3,750	2,284	1,165	1.3	1.6
Technology Crossover Ventures IV	25,000	10,142	5,171	6.0	9.6
Vanguard VII	3,000	1,290	658	0.8	0.6
Vantagepoint 2006 Fund	5,000	126	64	0.1	–
Vantagepoint IV	10,000	7,882	4,018	4.6	4.1
Zone Ventures II	10,000	9,589	4,889	5.6	2.9
Zone Ventures Fund II Annex	400	639	326	0.4	0.2
<i>Total Unquoted Venture Capital Funds</i>	210,150	104,128	53,090	61.4	70.4
<i>Open-ended Investment Funds</i>					
Global Treasury Funds Plc	–	21,000	10,707	12.3	11.6
JP Morgan USD Liquidity Distribution Fund	–	20,000	10,197	11.8	11.8
Merrill Lynch Institutional USD Fund	–	21,000	10,707	12.3	–
<i>Total Open-ended Investment Funds</i>	–	62,000	31,611	36.4	23.4
<i>Other Investments held directly by the Company</i>					
<i>Common Stock*</i>					
BakBone Software Inc	–	26	13	–	–
Broadcom Corporation Class A	–	19	10	–	–
Divx Inc	–	722	368	0.4	–
Occam Networks	–	32	16	–	–
Wireless Facility Inc	–	–	–	–	0.1
	–	799	407	0.4	0.1
<i>Campton Group Inc</i>					
Convertible Note	–	250	127	0.1	–
Promissory Note	–	100	51	0.1	–
<i>Total Other Investments</i>	–	1,149	585	0.6	0.1
Total Investments	210,150	167,277	85,286	98.4	93.9
Net current assets		2,787	1,421	1.6	6.1
Net assets		170,064	86,707	100.0	100.0

* These were acquired as distributions from the portfolio of Venture Funds.

DIRECTORS AND SECRETARY

The following are the Directors of the Company:

Peter Dicks (appointed to the Board on 20 June 2002 and appointed Chairman on 28 July 2004) (Non-Executive Director) is aged 64. He was co-founder of Abingworth Plc in 1974, having previously pursued a career in stockbroking. He specialised in the selection and management of North American unquoted securities. He is chairman of Daniel Stewart Securities PLC, Foresight Technology VCT, SVM Ofex Fund PLC, Foresight 2 VCT PLC, Foresight 3 VCT PLC, Foresight 4 VCT PLC and Unicorn AIM VCT and a director of Polar Capital Technology Trust PLC, Graphite Enterprise Trust Plc and Standard MicroSystems Corporation (a US Nasdaq listed company), Gartmore Fledgling Trust PLC and a number of other companies.

Colin Kingsnorth (appointed 22 October 2004), (Non-Executive Director) is aged 43. He has, since October 1999, been director and fund manager of Laxey Partners Limited and is a non-executive director of The Laxey Investment Trust PLC. He co-founded Regent Fund Management (UK) Ltd in March 1995 and served as fund manager and chief executive officer until January 1999, when he left Regent to work on the establishment of Laxey. Prior to this, he was at Buchanan Partners Limited, where he managed emerging market funds from 1991. He holds a BSc in Economics and is an associate member of the Institute of Investment Management and Research. Laxey Partners Limited are managers of funds which own 27.72% of the Company.

Rory Macnamara (appointed 22 October 2004), (Non-Executive Director) is aged 52. Having qualified as an accountant with PriceWaterhouse, Mr Macnamara began a seventeen year career in corporate finance at Morgan Grenfell & Co Limited in 1981 during which he rose to become head of advisory and deputy chairman. During his time at Morgan Grenfell he advised on a large range of public and private M&A transactions, fund raisings and flotations as well as gaining fixed income experience working with debt advisory teams, most notably during his secondment to Eurotunnel. He joined Lehman Brothers as Head of UK Coverage in 1999 and has been an independent consultant since 2002. Mr Macnamara is chairman of Izodia Plc and Goshawk Insurance Holdings Plc and a director of Raven Mount Plc, Dunedin Income Growth Investment Trust PLC and Augean PLC and holds various other company directorships.

Lady Barbara Judge (appointed 25 January 2000), (Non-Executive Director; was formerly the Executive Chairman of the Company until 28 July 2004) is aged 60. She is a lawyer, an international banker and entrepreneur. Lady Judge was formerly a Commissioner of the US Securities & Exchange Commission and an executive director of Samuel Montagu and News International, among others. Lady Judge is currently chairman of the UK Atomic Energy Authority, Eaglet Investment Trust Plc and deputy chairman of the Financial Reporting Council. She is also deputy chairman of Friends Provident Plc and a non-executive director of Quintain Estates and Development Plc, Portmeirion Group Plc, Hardy Underwriting Group Plc, Nationwide Accident Repair Services Plc and Planet Group Inc.

David Quysner (appointed 22 October 2004), (Non-Executive Director) is aged 60. He has spent more than 30 years in venture capital with 3i and subsequently with Abingworth, of which he is currently non-executive chairman. He has wide experience of making and managing investments in technology companies in both the USA and the UK. He served on the Stock Exchange Smaller Companies Working Party, which led to the creation of London's AIM market. More recently, he was a member of the Treasury Working Party on the Financing of High Technology Companies. He was chairman of the British Venture Capital Association in 1996/97. He is non-executive chairman of the RCM Technology Trust Plc and a director of ANGLE Plc, Foresight 2 VCT Plc, Prelude Trust Plc and Medical Research Council Technology Limited.

SECRETARY

Capita Sinclair Henderson Limited provides company secretarial and administrative services for the Company. It provides similar services for a number of other investment trusts. Capita Sinclair Henderson Limited is a subsidiary of The Capita Group Plc.

DIRECTORS' REPORT AND BUSINESS REVIEW

The Directors of Private Equity Investor Plc (“PEI” or “the Company”) present their Report and Business Review for the year ended 31 March 2007.

Business review

Introduction

In keeping with regulations which came into force on 12 January 2006, the Directors' Report now includes a Business Review intended to present a balanced and comprehensive analysis of the development and performance of the business of the Company during the financial year and the position of the Company at the year end, together with a description of the principal risks and uncertainties facing the Company and an indication of the likely future developments in its business. The Directors also include an analysis using key performance indicators to aid understanding of the above.

Business of the Company

The principal activity of the Company is to carry on business as an investment trust. The Directors do not envisage any change to this activity in the future.

A review of the Company's activities is given in the Chairman's statement on pages 4 to 7 and in the Review of Investments on pages 8 to 12.

Results and dividends

The results for the year are set out in the Income statement on page 30. During the year the Company received increased income from the surplus un-drawn cash that had been invested in open-ended investment companies. To meet the requirements of Section 842 of the Income and Corporation taxes Act 1988 the Company may not retain more than 15% of its income from shares and securities. The Directors are therefore recommending the payment of a final dividend of 1.10 pence per Ordinary share, payable on 11 October 2007, to shareholders on the register on 10 August 2007.

Status

The Company is an investment company as defined under Section 266 of the Companies Act 1985, and was incorporated and registered in England on 19 January 2000. Its shares are listed on the London Stock Exchange.

The Company has received written approval from HM Revenue and Customs as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting year ended 31 March 2006. In the opinion of the Directors, the Company has subsequently directed its affairs so as to enable it to continue to qualify for and seek such approval. The Articles of Association provide for shareholders to consider the continuation of the Company as an investment trust at the Annual General Meeting to be held in 2014 and at every fifth subsequent Annual General Meeting thereafter.

The Company's shares qualify as investments in Individual Savings Accounts (“ISAs”).

Investment objective

The Company's objective is to achieve substantial capital appreciation for shareholders over the long term.

Investment policy

The Company's policy has been to invest in high quality venture capital funds, managed by several different management groups, focused on various stages of growth from early stage to pre-IPO, so as to obtain exposure to a diversified underlying portfolio of investments in unlisted companies in the IT and other technology sectors. US-based venture capital funds have been selected with regard to the experience and track record of the managers, their investment strategy and their strength and quality of deal flow.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Net asset valuation

The net asset value per ordinary share at 31 March 2007 was 173.42p (2006: 170.78p)

Limited Partnership ("LP") interests are valued in accordance with the valuations provided by the managers of those funds which are received by the Company at least quarterly. The valuation methodology normally used by these funds is that the underlying investments are valued at fair market value determined in accordance with the relevant limited partnership agreement. In the case of marketable securities, the valuations are typically based on a mark to market basis after applying a discount to reflect liquidity and market conditions. By 2008 all LP's will value their portfolios in accordance with Financial Accounting Standards Board's FAS 157 which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value-measurements.

Investment trust status

The Directors seek to meet the requirements of Section 842 of the Income and Corporation Taxes Act 1988 which has been achieved in each year from launch up to 31 March 2006. The Directors are of the opinion that the requirements will continue to be met in full for the year ended 31 March 2007.

Key performance indicators

Benchmark

The Company's underlying portfolio consists of quoted and unquoted stocks primarily in the United States and Asia, but also in Europe and an appropriate benchmark is not available for direct comparison. The Company has selected the NASDAQ Composite Index as its most appropriate index against which to monitor the Company's performance. This index is a reliable, publicly available and consistently updated measure of the share performance of a broad spread of companies (albeit quoted) representative of the businesses in which PEI has invested.

Total expense ratio

The Directors maintain an objective to run the Company efficiently and monitor its operational expenses on an ongoing basis. The total expense ratio is shown on page 3.

Discount

The Directors regularly monitor the level of discount at which the Company's shares are trading. On 31 March 2007 the Company's share price stood at a discount of 3.70% to net asset value, compared to 3.53% twelve months earlier.

Principal risks and uncertainties, and their mitigation

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. Full details of how the Board fulfils this role are shown on pages 22 and 23.

The principal risks and uncertainties identified by the Board are discussed below, together with an outline of how the Board recognises and seeks to control these risks. Mitigation of the principal risks is sought and achieved as far as possible. Further information regarding risks is set out in note 16 on pages 42 and 43.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Stock market performance risk

The funds in which the Company is invested seek to realise their own investment objectives by selling or floating their investee companies. Consequently a proportion of the Company's underlying investments is in publicly quoted stocks (listed primarily on the NASDAQ) – either as a result of IPOs or as a result of trade sales in which the consideration has been by way of equity in the acquirer.

When such shareholdings are distributed, it is the Company's normal policy to sell them, ideally close to the distribution price, as soon as possible. There may be instances where the Company determines to hold distributed shares in an effort to obtain a more advantageous selling price. However, this practice will also expose the Company to market risk. The details of the Company's investment portfolio given on page 13 show that directly held publicly quoted investments amounted to 0.4% of the Company's net assets as at 31 March 2007.

Company and fund performance risk

By their nature, investments in new and unlisted companies often present greater risk than those in more established enterprises. In addition, the venture capital funds themselves may be subject to variable performance or investment selection. The Company seeks to mitigate this risk through the diversification of its investment across a range of LP venture funds (currently 21) which are themselves invested in over 450 underlying companies.

Over commitment risk

To optimise its capital returns to shareholders, the Company's policy during its initial investment period was to make commitments to the venture funds in which it invested that were in excess of the funds at its disposal, in the expectation that realisations during the life of the Company would fund this over-commitment. As at 31 March 2007 the Company was not over-committed.

Exchange rate risk

The majority of the Company's assets are held in US dollar denominated securities and, therefore, shareholders investing in the Company's shares quoted in sterling are exposed to currency fluctuations between these currencies. It is not the Company's policy to hedge against currency fluctuations.

Future outlook

As announced with the interim results in December last year, the Company has been exploring new ways to develop its business. Major shareholders on the register, have indicated to the Board that they wish to see the principal part of the return cash flows from the existing Funds distributed to investors, rather than being allocated to new long-term commitments. The Board has accepted this view and intends that a substantial majority of the value held in the existing portfolio will be returned to shareholders. The Board believes, however, that there is value in the Company over and above its current Fund portfolio. In this context, the Company has announced the formation of Campton Group. Campton will also structure and raise new funds in which the Company may invest. Whilst the business of Campton is being developed, the Company has made a number of commitments to highly regarded private equity and venture capital funds with the intention of transferring these to a new fund-of-funds vehicle to be raised by the Company and Campton. The Company believes that these "warehoused" commitments will be the cornerstone of such new fund-of-funds and that the Company will benefit both from participation in such new funds-of-funds and from the development of Campton's fund management business in which it will own a controlling interest.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Distribution to Shareholders

As at 1 July 2007, the Company had approximately \$70 million in cash and readily realisable assets on hand, approximately \$32 million in unfunded commitments and additional amounts available to be committed under the warehousing programme. The Company now plans to distribute at least \$20 million to shareholders in 2007 and is seeking the most tax efficient manner in which to do so. It is envisaged that, after this distribution is made to shareholders, the Company will continue to periodically distribute excess funds to shareholders.

The Campton Group, Inc.

The Company has financed the formation of the Campton Group, Inc. (www.camptongroup.com) with a view to developing a private equity fund-of-funds management and advisory business. Campton is based in San Francisco, California, which together with Silicon Valley forms the hub of venture capital activity in the United States. Personal relationships are an important aspect of the venture capital industry and Campton's location in San Francisco provides a strategic advantage in maintaining and developing these relationships. The Company has financed Campton to date and will have a majority stake in the company once it is fully operational with the balance being held by Campton's management team.

Since the year-end the Company has made a commitment to invest \$5 million in the Institutional Venture Partners XII Fund and \$4 million in Vector Capital IV Fund.

Environmental and socially responsible investment

The Company is self-managed and has only one employee. The Company is fully aware of each General Partner's investment policy at the time it commits to a new Fund. Limited Partners such as the Company, however, are not consulted on individual investments made by the General Partner in their particular funds. Subject to this, the Company attempts to conform to best practice on environmental and other social responsibility issues.

Financial instruments

The policy and practice of the Company with regard to financial instruments is set out in note 16 of the Notes to the Accounts.

Management arrangements

The Board currently comprises five non-executive Directors who are collectively responsible, inter alia, for implementing the investment policy of the Company and for monitoring its investments. With effect from 1 April 2007 the Company has entered into a non-discretionary investment advisory agreement with the Campton Group, a Californian registered corporation. A fee of 0.35% (0.7% annually) of the net asset value is payable, plus expenses, to Campton on 1 January and 1 July. The notice period to be given by either party is six months and no compensation is payable in the event of termination. The Board will remain self managed and will collectively make all investment and management decisions. The Board receives regular and ad hoc reports from Campton, reviews the quarterly reports received from the LPs and discusses performance with the General Partners. Pending investment in suitable venture capital funds, the cash resources of the Company have been invested in open-ended investment funds.

Under an agreement dated 31 January 2000 company secretarial and administrative services are provided by Capita Sinclair Henderson Limited. The administration agreement may be terminated by either party giving not less than twelve months' notice.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Directors' interests

The interests of the Directors, their families and any beneficial trusts in the Ordinary shares of 0.01p each of the Company were:

	<i>Beneficial and family interests</i>	
	<i>31 March 2007</i>	<i>1 April 2006</i>
Peter Dicks	50,000	50,000
Colin Kingsnorth	–	–
Rory Macnamara	–	–
David Quysner	–	–
Lady Barbara Judge	25,100	25,100

At the date of this Report there had been no further changes in the above holdings. Mr Kingsworth is a director of Laxey Partners Limited, whose interests in the Company's shares is set out below.

Substantial share interests

At 21 August 2007 the holdings representing 3% or more of the total voting rights, notified to the Company, were:

	<i>Shares</i>	<i>%</i>
Fund under discretionary management of Laxey Partners Limited	13,859,800	27.72
Deutsche Bank AG Tilney Group Limited	9,332,038	18.66
QVT Fund LP	5,932,000	11.86

Statement of Compliance with the AIC Code of Corporate Governance©

The Board of Private Equity Investor plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trust companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, throughout the year under review, except as set out below.

Board of Directors

Throughout the year under review the Board comprised five Non-Executive Directors with Peter Dicks as Chairman. Biographical details are shown on page 14.

The Board decided that given the size and operation of the Board it was not appropriate to appoint a Senior Independent Director. Nor is there a Chief Executive as the Board feels that such an appointment is unnecessary. All current Directors are considered independent with the exception of Lady Barbara Judge, a former Executive Director of the Company, and Colin Kingsnorth by virtue of his connections to Laxey Partners, a major shareholder.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

The Chairman, Peter Dicks, is deemed by his fellow Directors to be independent in character and judgement and free from conflicts of interest. He has a common cross directorship with David Quysner which is not deemed to affect the independent judgement of either party. Additional remuneration paid to Peter Dicks, in respect of additional duties carried out, disclosed on page 25, is not deemed to affect his independence. He has no significant commitments other than those disclosed in his biography on page 14.

Each of the Directors in office at 31 March 2007 has a letter of appointment with the Company. Appointments may be terminated by 12 months' notice.

As all Directors act in a non-executive capacity, in accordance with Listing Rule 15.4.15 which applies where an investment trust company has no executive directors, the Combined Code principles relating to Directors' remuneration do not apply. Details of Directors' remuneration are given in the Directors' remuneration report on page 25.

The Board notes the AIC recommendation on tenure of office and Directors serving more than nine years would be required to seek annual re-election. Under the Articles of Association, all Directors are subject to retirement and re-election by shareholders every third year following their appointment or most recent re-election. The Chairman, Mr Dicks, and the Chairman of the Audit Committee, Mr Macnamara, are both seeking re-election at the AGM to be held in September 2007, a year earlier than required by the Company's Articles. This will help to ensure that the re-election of Directors is not concentrated in any one year and it will be easier to provide both continuity and progressive refreshing of the Board over time.

The Board recently carried out a formal evaluation process of its performance as a whole and that of the Chairman and individual Directors. The latest such evaluation concluded that all Directors contribute effectively, and demonstrate a high level of commitment to their role, and that together they provide the skills and experience that are relevant and necessary for the leadership and direction of the Company.

The Board recommends the re-appointment of each retiring Director. This recommendation is based on the following:

Peter Dicks has considerable knowledge of fund of funds, venture capital, investment management and financial markets in the UK and the USA and has experience elsewhere as chairman of a number of public companies, including investment trusts.

Rory Macnamara is a chartered accountant who, in addition to many years of experience in corporate finance and investment banking, has recent and relevant financial expertise that equips him to chair the Audit Committee.

The attendance of individual Directors, and in brackets the number of Board meetings and committee meetings held during the year ended 31 March 2007, is set out below:

	<i>Board</i>	<i>Audit</i>	<i>Remuneration</i>	<i>Nomination</i>	<i>Management Engagement</i>
Peter Dicks	6 (7)	2 (2)	1 (1)	1 (1)	1 (1)
Colin Kingsnorth	7 (7)	N/A	N/A	N/A	N/A
Rory Macnamara	7 (7)	2 (2)	1 (1)	1 (1)	1 (1)
David Quysner	6 (7)	2 (2)	1 (1)	1 (1)	1 (1)
Lady Barbara Judge	7 (7)	N/A	N/A	N/A	N/A

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Board responsibilities

The Board is responsible for all matters of direction and control of the Company, including its investment policy, and no one individual has unfettered powers of decision. The Board is ultimately responsible for the appointment of all service providers, including the Company's bankers, determining the level of gearing, selecting suitable accounting policies and the publication of annual and interim reports and other forms of shareholder communication. The Directors meet at least six times a year at formal Board meetings to review the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. Additional meetings are held as required. The Company Secretary and Chairman liaise over the drafting of agendas to fully cover the Board's responsibilities. Procedures have been formalised in a schedule of matters specifically reserved for the decision of the Board, which has been adopted for all meetings.

The Company has in place Directors' and Officers' liability insurance which includes the reimbursement of legal defence costs. The Board has formalised arrangements under which Directors, in the furtherance of their duties, may seek independent professional advice.

Performance of the Board

The Board has implemented a procedure for reviewing its effectiveness on both an individual and collective basis through a formal appraisal process. The Chairman is responsible for undertaking the appraisal of each of the Directors and David Quysner has responsibility for co-ordinating the appraisal of the Chairman. Where appropriate, Directors receive induction training on joining the Board and regularly review the need to update and refresh their skills and knowledge.

Committees

The Company has appointed a number of committees to monitor specific operations, each of which has written terms of reference, copies of which are available from the Company.

Audit Committee

The Audit Committee meets at least twice a year to oversee the production of the interim and annual accounts and compliance with accounting standards and regulatory requirements. It operates within clearly defined terms of reference, which delegate specific responsibility for making recommendations to the Board as regards the appointment, re-appointment and remuneration of the Auditor. The Committee has considered the independence and objectivity of the Auditor, including a review of any non audit services that the Auditor has provided, and has advised the Board that it is satisfied in these respects that the Auditor has fulfilled its obligations to the Company. It also reviews the effectiveness of the Company's financial reporting and internal control policies. The Audit Committee comprises solely the independent Non-Executive Directors and is chaired by Rory Macnamara, a chartered accountant. Ernst & Young LLP, the Company's Auditor, attends the year end meeting of the Audit Committee and has direct access to Committee members between meetings. The Committee met twice during the year ended 31 March 2007.

Nomination Committee

A Nomination Committee has been established which comprises Peter Dicks and David Quysner and is chaired by Rory Macnamara. The Committee is convened as and when necessary for the purpose of considering the appointment of new Directors and operates under defined terms of reference. The Committee met once during the year ended 31 March 2007.

Remuneration Committee

The Remuneration Committee comprises Peter Dicks and David Quysner and is chaired by Rory Macnamara. The Directors' remuneration report on pages 25 and 26 explains the approach taken by the Committee to the structuring of remuneration for Directors. The Committee operates under clearly defined terms of reference. The Committee met once during the year ended 31 March 2007.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Management Engagement Committee

A Management Engagement Committee chaired by Rory Macnamara has been established to review the Company's arrangements for managing its investments including reviewing the decision to be self-managed by the Board of Directors. The Committee, which comprises the independent Non-Executive Directors, also reviews the performance and contractual arrangements of the Company's other service providers including all advisory and other agreements with Campton.

Going concern

After due consideration, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal control review

The Directors acknowledge that they are responsible for the Company's system of internal control and for reviewing its effectiveness.

Throughout the year under review and up to the date of this Report there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the Turnbull guidance in the document 'Internal Controls: Guidance for Directors on the Combined Code'. This process is reviewed on a regular basis by the whole Board. The most recent review was carried out on 12 July 2007. Key procedures established with a view to providing effective financial control have been in place for the full financial year and up to the date the accounts were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- The nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- The threat of such risks becoming a reality;
- The Company's ability to reduce the incidence and impact of risk on its performance; and
- The cost to the Company and benefits related to the Company and third parties operating the relevant controls.

Against this background, the Board has split the review of risk and associated controls into four sections reflecting the nature of the risks being addressed. These sections are as follows:

- Corporate strategy;
- Published information, compliance with laws and regulations;
- Relationship with service providers; and
- Investment and business activities.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Given the nature of the Company's activities and the fact that certain functions are subcontracted, the Directors have obtained information from key third party suppliers regarding the controls operated. To enable the Board to make an appropriate risk and control assessment the information and assurances sought from third party suppliers include the following:

- Details of the control environment operated by the third party suppliers;
- Identification and evaluation of risks and control objectives by third party suppliers;
- Assessment of the communication procedures with third party suppliers; and
- Assessment of the control procedures operated by third party suppliers.

The key procedures that have been established with a view to providing effective internal financial control are as follows:

- Investment decisions regarding the limited partnership portfolio are undertaken by the Board of Directors after due consideration of the investment policy of the Company.
- The provision of administration, accounting and company secretarial duties is the responsibility of Capita Sinclair Henderson Limited.
- Copies of the LP agreements are held by Eversheds.
- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements.
- Mandates for authorisation of investment transactions and expense payments are set by the Board.

The Company does not have an internal audit function but the need for one is considered annually. Although the Company is a self-managed investment trust, most of its operations are provided by third party service providers whose internal controls are reviewed on a regular basis, as set out above.

The Board reviews financial information produced by the Company Secretary on a regular basis.

The Audit Committee has reviewed the "whistle blowing" procedures of the Administrator and Company Secretary to ensure that concerns of staff at Capita Sinclair Henderson Limited may be raised in a confidential manner.

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the systems of internal control as they have operated during the year.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Capita Sinclair Henderson Limited, which is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Relations with shareholders

Communication with shareholders is given a high priority by the Board and the Directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the Annual General Meeting during which Directors and the Chairman of the Audit Committee will be available to discuss issues affecting the Company.

The Board invites major shareholders and analysts to presentations of its interim and annual results. Copies of the interim and annual reports are dispatched to shareholders by mail and are also available for download from the Company's website, www.peiplc.com. The net asset values are released on a monthly basis to the London Stock Exchange and to the AIC for posting into its website www.theaic.co.uk. The Board is directly responsible for all corporate activity that may affect the Company.

Shareholders may address any communication to the Chairman or other Directors through its offices at 23 Bentinck Street, London W1U 2EZ or through the Company Secretary, Capita Sinclair Henderson Limited at the address on page 46.

Payment of suppliers

It is the Company's payment policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to terms used. The Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms.

As at 31 March 2007 there were no trade creditors (2006: none).

Annual General Meeting

The Notice of Annual General Meeting on page 47 sets out both the Ordinary Business and the Special Business to be conducted at the meeting.

There is one item of Special Business. Resolution 7 proposes to extend the Company's powers, subject to certain defined parameters, to purchase the Company's shares in the market for a further year. A similar authority granted at last year's Annual General Meeting was not utilised during the year.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as Auditor and a resolution proposing their re-appointment will be proposed at the Annual General Meeting.

Directors' statement as to disclosure of information to Auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 14. Having made enquiries of fellow Directors and of the Company's Auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditor is unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

By order of the Board

CAPITA SINCLAIR HENDERSON LIMITED

Secretary

21 August 2007

DIRECTORS' REMUNERATION REPORT

The Board has prepared this Report in accordance with Schedule 7A to the Companies Act 1985 which applies to companies quoted on the official list. An Ordinary Resolution will be put to members seeking approval of the Report at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited they are so indicated. The Auditor's opinion is included in its Report in pages 28 and 29.

Throughout the year under review the Remuneration committee has been chaired by Rory Macnamara with Peter Dicks and David Quysner as members. It met once during the year.

The role of the Committee

The role of the Committee is to establish Board policy in respect of terms of employment and remuneration and to agree contractual terms for each Director and employee of the Company. The Committee seeks to encourage the enhancement of the Company's performance and to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate Directors and employees of the right calibre. In setting both the policy related to and levels of remuneration and benefits for Directors, the Committee may take account of market data and independent professional advice. It is the Committee's intention to continue this current policy regarding levels.

Review of remuneration structure

Peter Dicks, Colin Kingsnorth, Rory Macnamara and David Quysner each entered into a letter of appointment on 22 October 2004 and Lady Barbara Judge agreed revised terms in a new letter of appointment on 25 October 2004. During the year Peter Dicks was paid additional remuneration in respect of management of the Company's office and corporate affairs.

The Directors are entitled to claim out of pocket expenses incurred in carrying out their duties. The letters of appointment include the following fixed fees in the table below. From 1 July 2007 fees in respect of Peter Dicks were reduced to £40,000 to reflect a change of duties undertaken following the appointment of Campton.

Each of the Directors is entitled to a 12 month notice period and is entitled to compensation for loss of office calculated by reference to the unexpired period of his or her appointment.

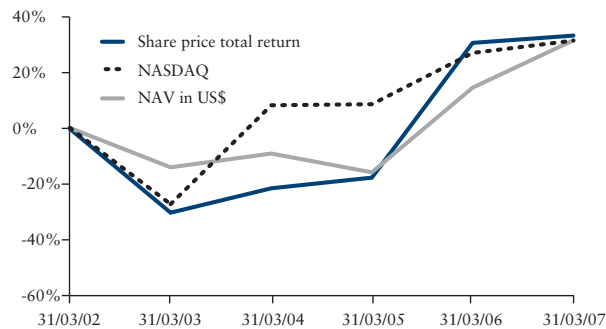
Directors' remuneration (audited)

The remuneration of the Directors for the year ended 31 March 2007 was as follows:

	<i>2007</i>	<i>2006</i>
	<i>Fees</i>	<i>Fees</i>
	<i>£'000</i>	<i>£'000</i>
Peter Dicks	75	75
Colin Kingsnorth	20	20
Rory Macnamara	20	20
David Quysner	20	20
Lady Barbara Judge	20	20
	<hr/>	<hr/>
	155	155
	<hr/>	<hr/>

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Your Company's performance



SOURCE: PRIVATE EQUITY INVESTOR

The graph above compares the total return to shareholders (assuming all dividends are reinvested) compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the NASDAQ Composite Index is calculated. This index was chosen for comparison purposes, as it is considered to represent a broad market index against which the performance of the Company's assets may be adequately assessed.

The Directors' remuneration report on pages 25 and 26 was approved by the Board of Directors on 21 August 2007.

PETER DICKS
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have responsibility for safeguarding the assets of the Company and for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

The financial statements are published on www.peiplc.com, which is a website maintained by the Company. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

REPORT OF THE INDEPENDENT AUDITOR

to the members of Private Equity Investor PLC

We have audited the financial statements of Private Equity Investor PLC for the year ended 31 March 2007 which comprise the Income statement, the Reconciliation of movement in shareholders' funds, the Balance sheet, the Statement of cash flows and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only Investment objective and policy, Summary of results and financial highlights, Chairman's statement, Review of investments, Investment portfolio, Directors and Secretary, the Directors' report and business review, the unaudited part of the Directors' remuneration report, Glossary of terms, Company information and the Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

to the members of Private Equity Investor PLC

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007 and of its net return for the year then ended;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

ERNST & YOUNG LLP

Registered Auditor

London

21 August 2007

INCOME STATEMENT

for the year ended 31 March 2007

Notes	<i>Year ended</i> 31 March 2007			<i>Year ended</i> 31 March 2006			
	<i>Revenue</i> £'000	<i>Capital</i> £'000	<i>Total</i> £'000	<i>Revenue</i> £'000	<i>Capital</i> £'000	<i>Total</i> £'000	
Gains/(losses) on investments at fair value through profit or loss	8	–	1,225	1,225	–	27,789	27,789
Exchange (losses)/gains on capital items	8	–	(617)	(617)	–	187	187
Income	3	1,301	–	1,301	307	–	307
Expenses	4	(592)	–	(592)	(555)	–	(555)
Net return before taxation		709	608	1,317	(248)	27,976	27,728
Taxation	6	–	–	–	–	–	–
Net return after taxation		709	608	1,317	(248)	27,976	27,728
Return per ordinary share	7	1.42p	1.22p	2.64p	(0.50)p	55.95p	55.45p

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

No statement of total recognised gains and losses is shown separately, since all such gains and losses are included within the income statement above.

The notes on pages 34 to 44 form part of these accounts.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 March 2007

	Called up share capital £'000	Share premium account £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total equity shareholders' funds £'000
Year ended 31 March 2007						
as at 1 April 2006	5	96,862	8,431	(19,771)	(136)	85,391
Decrease in unrealised depreciation on investments before transfer on disposal	–	–	–	(4,018)	–	(4,018)
Transfer on disposal of investments	–	–	(415)	415	–	–
Net gain on realisation of investments	–	–	5,243	–	–	5,243
Exchange differences on capital items	–	–	(116)	(23)	–	(139)
Exchange differences on currency	–	–	–	(478)	–	(478)
Retained net revenue for the year	–	–	–	–	709	709
as at 31 March 2007	5	96,862	13,143	(23,875)	573	86,708
Year ended 31 March 2006						
as at 1 April 2005	5	96,862	7,971	(47,287)	112	57,663
Decrease in unrealised depreciation on investments before transfer on disposal	–	–	–	27,148	–	27,148
Transfer on disposal of investments	–	–	(164)	164	–	–
Net gain on realisation of investments	–	–	649	–	–	649
Commission realised on disposal in respect of hedge fund	–	–	264	–	–	264
Breakage cost on disposal in respect of hedge fund	–	–	(272)	–	–	(272)
Exchange differences on capital items	–	–	(17)	14	–	(3)
Exchange differences on currency	–	–	–	190	–	190
Retained net deficit for the year	–	–	–	–	(248)	(248)
as at 31 March 2006	5	96,862	8,431	(19,771)	(136)	85,391

The notes on pages 34 to 44 form part of these accounts.

BALANCE SHEET

as at 31 March 2007

		<i>31 March</i> 2007 £'000	<i>31 March</i> 2006 £'000
Fixed assets			
Investments at fair value through profit or loss	8	85,286	80,194
Current assets			
Debtors	9	856	4,373
Cash at bank		723	937
		<u>1,579</u>	<u>5,310</u>
Creditors – amounts falling due within one year	10	157	113
Net current assets		<u>1,422</u>	<u>5,197</u>
Net assets		<u>86,708</u>	<u>85,391</u>
Share capital and reserves			
Called up share capital	11	5	5
Share premium account		96,862	96,862
Capital reserve – realised		13,143	8,431
– unrealised		(23,875)	(19,771)
Revenue reserve		573	(136)
Total equity shareholders' funds		<u>86,708</u>	<u>85,391</u>
Net asset value per ordinary share	14	<u>173.42p</u>	<u>170.78p</u>

These accounts were approved and authorised for issue, by the Board of Directors on 21 August 2007.

PETER DICKS
Chairman

The notes on pages 34 to 44 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2007

		<i>Year ended</i> <i>31 March</i> <i>2007</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i> <i>£'000</i>
Operating activities			
Investment income received		1,043	176
Deposit interest received		182	15
Secretarial fees paid		(80)	(85)
Other cash payments		(443)	(510)
Net cash inflow/(outflow) from operating activities	12	<u>702</u>	<u>(404)</u>
Capital expenditure and financial investment			
Purchases of investments		(20,956)	(35,621)
Sales of investments		20,634	36,676
Deferred gain on capital items		–	104
Realised currency losses		(116)	(17)
Net cash (outflow)/inflow from capital expenditure and financial investment		<u>(438)</u>	<u>1,142</u>
Increase in cash	13	<u>264</u>	<u>738</u>

The notes on pages 34 to 44 form part of these accounts.

NOTES TO THE ACCOUNTS

at 31 March 2007

1 BASIS OF PREPARATION

Accounting convention

The accounts are prepared under the historical cost convention, as modified by the inclusion of investments at fair value and in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice regarding the Financial Statements of Investment Trust Companies (“SORP”) issued in January 2003, revised in December 2005.

2 ACCOUNTING POLICIES

Income recognition

Dividends receivable on quoted equity shares and debt securities are included in the accounts when the investments concerned are quoted ‘ex-dividend’. Dividends receivable on equity shares and debt securities where no ex-dividend date is quoted are brought into account when the Company’s right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Interest receivable is included on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue column of the income statement, except for expenses which are incidental to the sale or purchase of an investment, which are charged through the capital column of the Income statement (see note 8).

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at cost.

All investments held by the Company are designated upon initial recognition as held at fair value through profit or loss. Investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Income statement and allocated to capital. Realised gains and losses on investments sold are calculated as the difference between sales proceeds and cost.

The Venture Capital Funds are stated at Directors’ valuation with reference to IPEVC guidelines which is accordance with the valuations provided by the managers of those funds. Valuations of the Funds are reported to the Company quarterly and are incorporated in the Company’s accounts when received. The valuation methodology used by these funds is that the underlying investments are valued at fair value determined in accordance with the relevant limited partnership agreement. Campton Group Inc is valued at book cost.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance sheet date, without any deduction for transaction costs necessary to realise the asset.

Capital distributions received from investments are accounted for on a reducing cost basis; cash and stock distributions received are first applied to reducing the base cost of an investment; a realised gain will be recognised only when the cost has been reduced to nil.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

Subsidiary undertaking

Private Equity International Limited is incorporated with share capital of £1 issued and fully paid. It was incorporated to register the business name of Private Equity International. It has not traded during the year and has not been consolidated as it is, in the Directors' opinion, immaterial to the accounts.

Foreign currency

Transactions denominated in foreign currencies are converted to sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rate of exchange at the Balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

Taxation

The charge for taxation is based on the net revenue for the year. Deferred taxation is provided in accordance with FRS 19: 'Deferred taxation', on all timing differences that have originated but not reversed by the Balance sheet date. Deferred taxation assets are only being recognised to the extent that they are regarded as recoverable.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases.

Operating lease payments are recognised as an expense in the Income statement on a straight-line basis over the lease term.

3 INCOME	2007 £'000	2006 £'000
Income from investments:		
Interest from open-ended investment funds	1,098	254
	<hr/> 1,098	<hr/> 254
Other income:		
Deposit interest	203	53
	<hr/> 203	<hr/> 53
Total income	<hr/> 1,301	<hr/> 307
Total income comprises:		
Interest	<hr/> 1,301	<hr/> 307

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

4 EXPENSES	2007 £'000	2006 £'000
Secretarial services	88	85
Auditor's remuneration for:		
– audit	27	26
– other services to the Company	–	–
Directors' remuneration (see Directors' remuneration report on page 25)	155	155
Other expenses – irrecoverable VAT	6	28
– operating lease of land and buildings	35	35
– public relations and advertising	16	15
– legal and professional fees	29	24
– office expenditure	14	15
– staff costs (see note 5)	67	52
– banking and custody charges	4	4
– other expenses	151	116
	592	555
	592	555
5 STAFF COSTS	2007 £'000	2006 £'000
Salaries and other payments	60	45
Social security costs	7	7
	67	52
	67	52

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report on page 25, the Company employed one member of staff during the year (2006: one member of staff).

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

6 TAXATION ON ORDINARY ACTIVITIES	2007			2006		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax at 30%	-	-	-	-	-	-

The Company is subject to corporation tax at 30% (2006: 30%). As at 31 March 2007 the current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £'000	2006 £'000
Reconciliation of the tax charge for the year:		
Net return before finance costs and taxation	<u>709</u>	<u>(248)</u>
Theoretical corporation tax at 30%	213	(74)
Effects of:		
Utilisation of brought forward losses	(216)	-
- excess management expenses	-	69
- expenses disallowed for taxation purposes	<u>3</u>	<u>5</u>
Current tax charge – revenue account	<u>-</u>	<u>-</u>

At 31 March 2007, the Company had no unprovided deferred tax liabilities (2006: £nil). At that date, based on current estimates and including the accumulation of net allowable management expenses deriving from its partnership interests in its Venture Capital Funds, the Company had surplus management expenses of approximately £8,207,000 (2006: £7,376,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

7 RETURN PER ORDINARY SHARE	2007			2006		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	<i>pence</i>	<i>pence</i>	<i>pence</i>	<i>pence</i>	<i>pence</i>	<i>pence</i>
Return per ordinary share	<u>1.42</u>	<u>1.22</u>	<u>2.64</u>	<u>(0.50)</u>	<u>55.95</u>	<u>55.45</u>

Revenue return per ordinary share is based on the net return on ordinary activities after taxation of £709,000 (2006: net deficit of £248,000), and on 50,000,000 (2006: 50,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on net capital gains for the year of £608,000 (2006: net capital gains of £27,976,000), and on 50,000,000 (2006: 50,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total return per ordinary share is based on net return for the year of £1,317,000 (2006: £27,728,000), and on 50,000,000 (2006: 50,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

8 INVESTMENTS	2007	2006
	£'000	£'000

a) Investment portfolio summary

USA		
Listed investments		
– common stock	394	93
Unlisted investments	53,090	60,077
Campton Group Inc	178	–
Other investments		
– open-ended investment funds	31,611	20,009
– unlisted common stock	<u>13</u>	<u>15</u>
	<u>85,286</u>	<u>80,194</u>

A full listing of the investment portfolio is provided on page 13.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

8 INVESTMENTS – continued

	<i>Unlisted equities £'000</i>	<i>Listed equities £'000</i>	<i>Listed open-ended investment funds £'000</i>	<i>Unlisted funds £'000</i>	<i>Campton Group Inc £'000</i>	<i>Total £'000</i>
<i>b) Analysis of investment portfolio movements</i>						
Opening book cost	58	420	19,908	79,978	–	100,364
Opening unrealised (depreciation)/appreciation	(43)	(327)	101	(19,901)	–	(20,170)
Opening valuation	15	93	20,009	60,077	–	80,194
Movements in the year:						
Purchases at cost	–	–	14,602	–	180	14,782
Calls at cost	–	–	–	6,174	–	6,174
Sales						
– proceeds	–	(9,767)	(443)	–	–	(10,210)
– realised gains/(losses) on sales	–	4,843	(15)	–	–	4,828
Book cost adjustments from capital distributions						
– cash distributions	–	–	–	(6,879)	–	(6,879)
– stock distributions	–	4,973	–	(4,973)	–	–
Unrealised appreciation/(depreciation)	(2)	252	(2,542)	(1,309)	(2)	(3,603)
Closing valuation	13	394	31,611	53,090	178	85,286
Closing book cost	58	469	34,052	74,300	180	109,059
Closing unrealised depreciation	(45)	(75)	(2,441)	(21,210)	(2)	(23,773)
	13	394	31,611	53,090	178	85,286

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

8 INVESTMENTS – continued

	2007	2006
	£'000	£'000
<i>c) Analysis of capital gains and losses</i>		
Realised gains on sales of investments	4,828	213
Commission realised on disposal in respect of hedge fund	–	264
(Increase)/decrease in unrealised capital depreciation	(3,603)	27,312
	1,225	27,789
Gains on investments	1,225	27,789
Realised exchange losses on capital items	(116)	(17)
Unrealised exchange (losses)/gains on capital items	(501)	204
	(617)	187
Exchange (losses)/gains on capital items	(617)	187

d) Significant holdings

The Company owns 14.92% and 9.37% of the total value of the called capital of the Limited Partnerships in Dawntreader Fund II and Zone Venture Fund II respectively.

e) Transaction costs

During the year the Company incurred no transaction costs (2006: £nil) in relation to purchases of investments and £8,000 (2006: £13,000) in relation to sales of investments. These amounts are included within gains and losses on investments at fair value within the Income statement.

9 DEBTORS – amounts falling due within one year

	2007	2006
	£'000	£'000
Amounts due from brokers	609	4,177
Prepayments and other debtors*	53	79
Accrued income	194	117
	856	4,373
	856	4,373

* Included in prepayments and other debtors is £25,000 in respect of a rental deposit which was held as security for the due observance and performance of the covenants contained in an operating lease in respect of the premises.

10 CREDITORS – amounts falling due within one year

	2007	2006
	£'000	£'000
Accruals	156	112
Other taxation and social security	1	1
	157	113
	157	113

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

11 CALLED UP SHARE CAPITAL	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Authorised:		
100,000,000 ordinary shares of 0.01p each	10	10
50,000 redeemable preference shares of £1.00 each	50	50
	60	60
Allotted, called up and fully paid:		
50,000,000 ordinary shares of 0.01p each	5	5
	5	5
12 RECONCILIATION OF NET RETURN/(DEFICIT) BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Net return before finance costs and taxation	1,317	27,728
Net (gain) on investments	(608)	(27,976)
Increase/(decrease) in creditors and accruals	44	(39)
(Increase) in prepayments and accrued income	(51)	(117)
	702	(404)
Net cash inflow/(outflow) from operating activities	702	(404)
13 RECONCILIATION OF NET CASH FLOW TO NET FUNDS	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Increase in cash in the year	264	738
Effect of foreign exchange rate movements	(478)	190
	(214)	928
Movement in net funds	(214)	928
Net funds at beginning of the year	937	9
	723	937
Net funds at end of the year	723	937
Net funds are comprised as follows:		
	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Cash at bank	723	937
	723	937

14 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £86,708,000 (2006: £85,391,000) and on 50,000,000 (2006: 50,000,000) ordinary shares, being the number of shares in issue at the year-end.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

15 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2007 there were financial commitments outstanding of \$25.2 million (£12.8 million) (2006: £13.7 million) in respect of outstanding call commitments to limited partnerships.

The Company had annual commitments of £38,250 at 31 March 2007 (2006: £38,250) under an operating lease in respect of its former premises at 33 St James' Street, London. The operating lease commitment expired on 30 June 2007.

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

As detailed on page 1, the primary investment objective of the Company is to seek to achieve substantial long term capital appreciation for shareholders. This is principally achieved by investing in unquoted, specialist US venture capital funds.

The Company's financial instruments comprise securities and other investments and bank deposits which are held to achieve its investment objective as well as debtors and creditors that arise from its operations, for example sales and purchases of securities awaiting settlement and debtors for accrued income.

The principal risks the Company faces through the holding of financial instruments are:

- liquidity/marketability risk, i.e. the risk that the Company has difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments;
- interest rate risk;
- market price risk, i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement; and
- foreign currency risk.

The Directors do not consider that the Company has significant exposure to credit risk. The Board monitors the financial risks affecting the Company on a regular basis. The Directors receive financial information on a regular basis which is used to identify and monitor risk.

As required by FRS 25: Financial Instruments: Disclosure and Presentation, an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given below.

Financial assets

Full analysis of the Company's investment portfolio is given on page 13. The method of valuing the fixed asset investments is discussed in the accounting policies of the Company in note 2 on page 34. Cash and debtors arising from the operations of the Company as at 31 March 2007 amounted to £723,000 (2006: £937,000) and £856,000 (2006: £4,373,000) respectively. There were no material differences between the fair values of the investments as at 31 March 2007 and 31 March 2006 and the values attributable to those investments within the accounts.

Liquidity risk

The nature of the Company's investment policy of investing in specialist US venture capital funds means that a large proportion of the securities which it owns are less readily marketable than, for example, 'blue-chip' UK equities. In order to reduce risk, research and due diligence work is performed before any commitment is made to a fund manager. The Company holds its surplus cash in open-ended investment funds. These funds can be converted to cash at short notice.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Interest rate risk

The Company invests its surplus cash in open-ended investment funds. However, these are held with a short to medium term maturity and changes in interest rates have little effect on the portfolio.

As at 31 March 2007, the average interest rate profile of the Company's financial assets was as follows:

	<i>Fixed rate</i>	<i>Floating rate</i>	<i>No interest associated</i>	<i>Weighted average interest rate</i>	<i>Weighted average time to maturity</i>
	£'000	£'000	£'000	%	months
Open-ended investment funds	–	31,611*	–	–	–
Quoted equities	–	–	394	–	–
Unquoted equities	–	–	13	–	–
Unquoted funds	–	–	53,268	–	–
Cash	–	723**	–	–	–
Debtors	–	–	856	–	–
	–	32,334	54,531		

As at 31 March 2006, the average interest rate profile of the Company's financial assets was as follows:

	<i>Fixed rate</i>	<i>Floating rate</i>	<i>No interest associated</i>	<i>Weighted average interest rate</i>	<i>Weighted average time to maturity</i>
	£'000	£'000	£'000	%	months
Open-ended investment funds	–	20,009*	–	–	–
Quoted equities	–	–	108	–	–
Unquoted funds	–	–	60,077	–	–
Cash	–	937**	–	–	–
Debtors	–	–	4,373	–	–
	–	20,946	64,558		

* The objective of the funds is to achieve a wholesale money market rate of return.

** Exposure to floating interest rate risk is based on an adjusted LIBOR rate.

Market price risk

Since the Company invests in financial instruments, market price risk is inherent. The Company will always face uncertainty as to the future price of the financial instruments in which it is invested. This risk represents the potential loss the Company may suffer in the light of adverse market price movements.

The Review of investments on pages 8 to 12 provides information in respect of the investments. The method of valuing the investments is discussed in the accounting policies note on page 34.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2007

16 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Foreign currency risk

Due to the Company's holdings being wholly overseas, the Company is also exposed to the risk of movement in the sterling/dollar exchange rate. The Company does not, nor does it intend to, hedge the portfolio against any movement in the exchange rate.

The Company settles its transactions from its bank accounts at an agreed rate of exchange on the date on which any bargain was made. For the year ended 31 March 2007, realised exchange losses of £116,000 (2006: losses of £17,000) and unrealised losses relating to currency and other capital items of £501,000 (2006: gains of £204,000), have been taken to the capital reserve.

Details of the foreign currency exposure are detailed in the table below.

At 31 March 2007	<i>Investment portfolio*</i> £'000	<i>Cash</i> £'000	<i>Other current assets</i> £'000
USA	85,273	666	609
UK	–	57	247
Canada	13	–	–
	85,286	723	856
At 31 March 2006	<i>Investment portfolio*</i> £'000	<i>Cash</i> £'000	<i>Other current assets</i> £'000
USA	80,179	889	4,177
UK	–	48	196
Canada	15	–	–
	80,194	937	4,373

* All portfolio stocks are US dollar denominated, with the exception of the Canadian investment.

Financial liabilities

The Company finances its operations primarily through equity and retained revenue although trade creditors and accruals arise from its operations. At 31 March 2007 and 31 March 2006, all financial liabilities were due within one year. Other financial liabilities amounted to £157,000 (2006: £113,000) and result from operating activities.

There were no borrowing facilities either drawn or undrawn at any time during the year.

17 RELATED PARTY TRANSACTIONS

There have been no related party transactions in the year to 31 March 2007.

GLOSSARY OF TERMS

Net asset value per ordinary share (“NAV”)

The NAV is the shareholders’ funds expressed as an amount per individual share. Shareholders’ funds are the total value of all the Company’s net assets, at fair value.

Discount

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Total return

The total return is the aggregate of any dividends paid, together with the rise or fall in the NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

Total expense ratio

The total expense ratio is calculated as total expenses incurred by the Company (excluding interest costs) as a percentage average of total assets less current liabilities.

COMPANY INFORMATION

DIRECTORS

Peter Dicks (Non-Executive Chairman)
Colin Kingsnorth (Non-Executive)
Rory Macnamara (Non-Executive)
David Quysner (Non-Executive)
Lady Barbara Judge (Non-Executive)

SECRETARY AND REGISTERED OFFICE

Capita Sinclair Henderson Limited
Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 01392 412122
Fax: 01392 253282

MANAGER

Private Equity Investor PLC
23 Bentinck Street
London W1U 2EZ
Tel: 0207 563 1630
Fax: 0207 486 4534
e-mail: nicky@peiplc.com
www.peiplc.com

BANKERS

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234 High Street
Exeter EX4 3NL

STOCKBROKERS

JP Morgan Cazenove and Co Limited
20 Moorgate
London EC2R 6DA

AUDITORS

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

REGISTRAR & TRANSFER OFFICE

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR2 4TU
Tel: 0870 162 3100
Fax: 0208 658 3430

SOURCES OF FURTHER INFORMATION

The Company's share price is listed in the Financial Times under "Investment Companies".

KEY DATES

March	Company year-end
July	Annual results
September	Annual General Meeting
November	Interim results

FREQUENCY OF NAV PUBLICATION

The Company's net asset value is released to the London Stock Exchange on a monthly basis and is updated on the Company's web page:- www.peiplc.com.

In accordance with the Disclosure and Transparency Rules, the Company will publish Interim Management Statements that will be released to the London Stock Exchange and published on the Company's web page.

Further copies of the annual report may be obtained from the Company Secretary.

Registered in England and Wales Number 3912487
A member of the Association of Investment Companies

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Private Equity Investor PLC will be held at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT at 11.00 am on Thursday, 27 September 2007, for the following purposes:

Ordinary business

1. To adopt the accounts for the year ended 31 March 2007, together with the Reports of the Directors and Auditors.
2. To receive the Directors' remuneration report.
3. To declare a final dividend of 1.10p per ordinary share in respect of the year ended 31 March 2007.
4. To re-elect P Dicks as a Director of the Company.
5. To re-elect R Macnamara as a Director of the Company.
6. To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.

Special business

To propose as a Special Resolution the following:

7. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of its issued shares of 0.01p each in the capital of the Company ("shares").

provided always that

- (i) the maximum number of shares hereby authorised to be purchased shall be 7,495,000;
- (ii) the minimum price which may be paid for a share shall be 0.01p;
- (iii) the maximum price which may be paid for a share shall be an amount equal to 105 per cent of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased;
- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008 unless the authority is renewed at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

Registered Office:
Beaufort House
51 New North Road
Exeter EX4 4EP

By Order of the Board
CAPITA SINCLAIR HENDERSON LIMITED
Secretary
21 August 2007

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.
2. A form of proxy is attached for use in connection with the business set out above. This form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, to reach the Registrar at the address printed on the form of proxy not later than 11 am on 25 September 2007.
3. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 11 am on 25 September 2007 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 11 am on 25 September 2007 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
4. The Articles of Association will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays and Public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.
5. By attending the Meeting, shareholders (and any proxies or representatives they appoint) agree that they are expressly requesting and that they are willing to receive any communications (including communications relating to the Company's securities) made at the Meeting.

FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING OF PRIVATE EQUITY INVESTOR PLC

I/We (Block Capitals please)

.....
 being a member/members of Private Equity Investor PLC (“the Company”), hereby appoint the
 Chairman of the Meeting/

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the
 Company to be held at the offices of Tavistock Communications, 131 Finsbury Pavement, London
 EC2A 1NT at 11.00 am on Thursday, 27 September 2007, and at any adjournment thereof.

Signature

Date 2007

Please indicate with an X in the spaces below how you wish your votes to be cast.

		FOR	AGAINST	VOTE WITHHELD
RESOLUTION 1	To adopt the accounts for the year ended 31 March 2007, together with the Reports of the Directors and Auditors.			
RESOLUTION 2	To receive the Directors’ remuneration report.			
RESOLUTION 3	To declare a final dividend of 1.10p per ordinary share.			
RESOLUTION 4	To re-elect P Dicks a Director of the Company.			
RESOLUTION 5	To re-elect R Macnamara a Director of the Company.			
RESOLUTION 6	To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.			
RESOLUTION 7	To approve the passing of Resolution 7 authorising the Company to purchase its shares as set out in the Notice of Annual General Meeting.			

NOTES:

1. A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words ‘the Chairman of the Meeting’ and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, and on any other business which comes before the meeting, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company’s Registrar not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.
6. The vote withheld option is provided to enable a member to abstain on any particular resolution. However it should be noted that a “Vote Withheld” is not a vote in law and will not be counted in the calculation of the proportion of votes “For and Against” a resolution.



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