

PRIVATE EQUITY INVESTOR PLC

Annual Report
For the year ended 31 March 2009

INVESTMENT OBJECTIVE AND POLICY

Investment Objective

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 its intended life.

Investment Policy

Risk Diversification

The Company has invested 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 the strength and quality of their deal flow.

As an Investment Trust, it is the Company's policy that no single investment will represent more than 15% by value of the Company's investments at the time of investment.

The Company's policy is that it will invest no more than 15% of its gross assets in other closed-end listed investment companies (including investment trusts). The Company currently has made no such investments and the Directors do not envisage circumstances in which it is likely to do so.

Asset Allocation

The Company's investments are in funds based in the USA ("the Funds"). The Managers of the Funds invest principally in the USA and in unlisted companies. As a result of the flotation or sale of their investments, the Funds may hold listed securities and these may be distributed to the Company so that the Company may from time to time hold listed securities which, however, are unlikely to represent a significant part of the Company's investments.

The Company continues to invest in the Funds to meet existing commitments but is not making commitments to new investments. The Company proposes to make periodic returns of capital to shareholders from the return cash flows from the Funds.

Gearing

In normal circumstances the Company does not expect to borrow. The Company's Articles of Association limit borrowing to an amount broadly equal to its capital and reserves. Some investments made by the Funds may be geared but the Company does not review the level of gearing of these underlying investments.

Liquidity

Because of distributions from the Funds, the Company may hold substantial balances of liquid funds. These are held principally in open-ended investment funds pending investment in the Funds or distribution to shareholders.

INVESTMENT OBJECTIVE AND POLICY (CONTINUED)

Derivatives

The Company does not make use of financial derivatives and does not hedge against currency fluctuations.

Distributions

The Funds provide little income. Income may be generated from liquid funds and the Company may be required to pay dividends to continue to qualify as an Investment Trust. Such dividends are, however, likely to be small and irregular. In 2007, the Company made a Tender Offer to shareholders with a value of up to £12.5 million, which was fully taken up. After receiving shareholder and court approval to cancel the Company's Share Premium Account in November 2008 a Special Reserve which is distributable was created and the Company made a further tender offer, of up to £17.5 million, in December 2008, which was also fully taken up.

Benchmark

NASDAQ Composite Index.

Continuation Vote

Shareholders will have the opportunity to vote at the Annual General Meeting in 2014 whether to continue the Company and at five yearly intervals thereafter.

Management

The Company is self-managed. The Company has appointed Campton Group, Inc. ("Campton"), which is based in San Francisco, as its investment advisor. The Company has previously provided Campton with finance with a view to developing Campton's private equity fund-of-funds management and advisory business.

Campton

As reported previously, Campton advises the Company on its existing portfolio and has been developing a fund-of-funds management and advisory business. Campton's efforts to develop its business have been hindered as a result of the global financial crisis. While Campton continues its efforts, the Company and Campton are also exploring strategic alternatives for Campton's business.

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SUMMARY OF RESULTS AND FINANCIAL HIGHLIGHTS

	<i>31 March 2009 Group</i>	<i>31 March 2008 Group</i>	<i>% change</i>
Net assets and shareholders' funds in US\$	\$107,101,000	\$153,435,000	(30.20)
Net assets per Ordinary Share in US\$ ("NAV")	306.41c	359.14c	(14.68)
Net assets and shareholders' funds	£74,721,000	£77,200,000	(3.21)
Net assets per Ordinary Share ("NAV")	213.77p	180.70p	18.30
Benchmark – NASDAQ Composite Index	1,528.59	2,279.10	(32.93)
Mid-market price per Ordinary Share	110.50p	144.50p	(23.53)
Discount to NAV	48.31%	20.03%	
Net revenue (loss)/return after taxation	£(466,000)	£561,000	
Net total return	£15,803,000	£3,917,000	
Total return per Ordinary Share	39.04p	8.19p	
Total expense ratio	1.43%	1.23%	
Exchange rate at year end (US\$/£)	\$1.4334	\$1.9875	
Number of Ordinary Shares in issue	34,953,675	42,723,408	

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 2009.

Results

The Company's Net Asset Value ("NAV") at 31 March 2009 was 213.8p, compared with 180.7p a year earlier, an increase of 18.3%. This increase was principally attributable to a 28% favourable movement in the US dollar/sterling exchange rate, from \$1.99 to \$1.43, which was partly offset by a fall in the US dollar value of the Company's investments.

During the year, the NASDAQ Composite Index, which is a benchmark for the Company's portfolio, fell by almost a third, from 2279.1 to 1528.6. However, the Company's NAV per share in dollars, the currency in which investments are made, fell by only 14.7% from 359.1c to 306.4c, the fall in NAV being reduced because the Company holds sterling and dollar cash deposits, as well as investments.

Despite the increase in sterling NAV, the Company's share price fell by 23.5% during the year, from 144.5p to 110.5p, reflecting generally weak markets and investor sentiment. The discount also rose significantly, from 20.0% to 48.3%.

During the year, as a result of reduced cash balances and lower interest rates, the Company received less income from the surplus undrawn cash that had been invested in open-ended investment companies. The Directors are not therefore recommending the payment of a dividend for the year ended 31 March 2009.

Distributions from Fund Investments

As at 31 March 2009 the Company was invested in 23 venture funds valued at \$85.6 million. PEI's year-end cash and readily realisable assets totalled \$21.1 million, compared with outstanding commitments of \$16.1 million. Of this figure approximately \$4.0 million is due to be called from the original portfolio and \$12.1 million from the five funds purchased in 2006/2007.

In the twelve months under review the Company continued to receive distributions in cash and securities from its venture capital funds ("Funds"), although at a considerably lower level than in the previous two years. The total value of distributions received during the year was \$5.5 million compared with \$28.9 million the previous year and \$32.5 million in 2007. Of the \$5.5 million, cash distributions amounted to \$2.9 million and stock to \$2.6 million. The largest cash distribution was \$618,720 which came from the Company's holding in Oak Investment Partners. This was received as a result of the sale of The CBORD Group, Inc., in which Oak held approximately 39% and which resulted in an approximate return for Oak of four times. The second largest cash distribution came from Francisco Partners II, with \$588,959 received as a result of the sale of Metrologic Instruments, Inc., which resulted in just over a two and a half times return on an investment held for a period of approximately two years.

In July, after the year end, a final distribution of \$1.1 million was received from the sale of Data Domain shares held by NEA 10, which represented a 28 times gain.

Tender Offer

On 21 November 2008 shareholders were sent a circular informing them that the Company proposed making a Tender Offer to purchase shares having an aggregate value at the Tender Price of up to £17,500,000. The offer was completed on 15 December 2008 with 7,769,733 shares being purchased for cancellation at a price of 225.2295 pence per share. Following this offer and the previous tender offer made in November 2007 (when a total of 7,276,592 shares were purchased for £12.5 million), there are now 34,953,675 shares in issue.

The Company will continue to buy back shares or make distributions as and when cash resources reach an appropriate level. The Board also monitors the market in secondary participations and if suitable terms become available would consider taking advantage of these to realise holdings and increase cash held by the Company earlier than would otherwise be possible.

CHAIRMAN'S STATEMENT (CONTINUED)

Portfolio Review

As at 31 March 2009 the Funds held underlying investments in 504 private and 64 public companies together representing approximately 80% of the Company's net asset value (2008: 63%). During the year, the Funds made 65 new investments (2008: 137) and 198 follow-on investments (2008: 234) which resulted in draw downs totalling \$8.7 million (2008: \$9.5 million). A total of 93 underlying investments were written up (2008: 145), 259 were written down (2008: 206) and 31 underlying investments were written off (2008: 43). Of the 18 Funds that make up the original portfolio, none reported a gain in value over the period (2008: 10).

Of the five 2006/2007 Funds, 4 reported a gain in value over the period (2008: 2). These Funds made 55 new investments (2008: 90), which resulted in draw downs totalling \$4.4 million (2008: \$4.0 million). A total of 29 underlying investments were written up (2008: 12), 33 were written down (2008: 11) and 5 were written off (2008: none).

Distributions from the original portfolio during the year totalled \$4.7 million. Of this, cash distributions amounted to \$2.1 million compared with \$21.5 million in 2008 and \$13.1 million in 2007. The balance of \$2.6 million was received in the form of stock distributions compared with \$6.0 million in 2008 and \$19.4 million in 2007. The 2006/2007 Funds returned a total of \$0.8 million in cash distributions, all of which came from Francisco Partners II.

During the period under review there were no IPO's of PEI's underlying portfolio companies.

Campton Group, Inc.

As reported previously, Campton advises the Company on its existing portfolio and has been developing a fund-of-funds management and advisory business. Campton's efforts to develop its business have been hindered as a result of the global financial crisis, but it continues with these efforts.

Market Overview

In 2008, venture capital fundraising totalled \$28.0 billion from 211 funds, compared with \$35.5 billion raised by 247 funds in 2007 – a decline of 21.4%. In the first quarter of 2009, 40 venture capital funds raised \$4.3 billion, which represents the smallest number of venture funds raising money in a single quarter since the third quarter of 2003, although the amount raised was higher than the previous quarter, the fourth quarter of 2008, when \$3.5 billion was raised by 47 funds.

Venture capitalists invested \$28.3 billion in 3,808 deals in 2008, marking the first yearly decline of total investments since 2003¹. Venture investments in 2008 fell 8% in dollars and 4% in deal volume from 2007. The Clean Technology sector, which includes alternative energy, pollution and recycling, power supplies and conservation, represented seven of the ten largest deals of the year, experiencing significant growth in 2008 with \$4.1 billion invested in 277 deals. Clean Technology has become a rapidly growing area of interest for venture capitalists and accounted for 15% of all venture capital investment in 2008 compared to 9% in 2007.

The table below sets out the amounts invested and deals completed for four broad areas of venture capital investment in the years 2007 and 2008.

<i>Sector</i>	<i>Amount invested in \$ billions 2008</i>	<i>Amount invested in \$ billions 2007</i>	<i>% increase/ decrease</i>	<i>No. of deals done 2008</i>	<i>No. of deals done 2007</i>	<i>% increase/ decrease</i>
Life Science	8.0	9.3	-14%	853	883	-3%
Software	4.9	5.4	-9%	881	942	-6%
Clean Technology	4.1	2.7	52%	277	238	16%
Internet Specific	4.9	5.0	-2%	851	825	3%

CHAIRMAN'S STATEMENT (CONTINUED)

Investment into seed stage companies increased substantially in 2008, jumping 19% from the prior year to \$1.5 billion (440 companies), compared to \$1.3 billion (450 companies) during 2007. This marks the highest annual total of dollars captured by seed stage companies since 2000.

In the first quarter of 2009, a total of \$3.0 billion was invested in 549 deals, down 47% in dollar terms and 37% in numbers of deals from the fourth quarter of 2008 when \$5.7 billion was invested in 866 deals. The quarter saw double digit declines in every major industry sector and marked the lowest level of venture investment since 1997.

The poor state of public markets is sharply illustrated by the fact that there were only six venture-backed Initial Public Offerings ("IPOs") in 2008, raising \$470.2 million, compared with 86 IPOs raising \$10.3 billion in 2007. The venture-backed merger and acquisition market also saw a significant slowdown in activity with 56 deals completed in the first quarter of 2009 for a disclosed deal size of \$645.3 million, compared with 106 deals in the first quarter of 2008 for a disclosed deal size of \$4.5 billion.

Outlook

According to the NVCA, there were no venture-backed IPOs in the first quarter of 2009, marking the second consecutive quarter in which this was the case. With a virtually non-existent IPO market, corporate acquirers are in a position to be more selective and to take more time when considering acquisitions. Until these circumstances change, the Company's receipt of distributions is likely to be limited.

Despite a sluggish exit market, low valuations and an uncertain outlook, all is not gloomy. We remain encouraged by the quality of many of PEI's underlying portfolio companies. For instance, Cisco Systems announced in March that it planned to acquire Pure Digital Technologies for \$590 million in Cisco stock. Pure Digital develops the popular and simple Flip cameras that are targeted towards the mass consumer market and is an underlying portfolio company in three of PEI's funds. Total proceeds from this acquisition approximate \$2.3 million based on the current Cisco share price. BrightSource Energy, in which VantagePoint Venture Partners has a 24% stake, recently executed a series of contracts whereby it will construct and provide Southern California Edison with 1,300 megawatts of electricity generated through solar thermal power. This is the largest solar power purchase agreement in history and represents more solar power than currently exists, from all sources, in the United States today.

Although the current lack of exits will delay returns from existing investments held by the Funds, we believe they contain many companies with significant potential from which we expect to see substantial returns in due course. For new investments, which will principally be made by the 2006/2007 Funds, entry prices are attractive and investors can be highly selective. We believe that these conditions are conducive to producing above average returns for investors.

PETER DICKS

Chairman

31 July 2009

¹ (Source: MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association (NVCA), based on data from Thomson Reuters)

REVIEW OF INVESTMENTS

Summary of Individual Venture Capital Funds Investments:

Name	Vintage	Fund size US\$(m)	PEI total commitment US\$	Total called capital 31 March 2009 US\$
APV Technology Partners III	1999	109	5,000,000	5,000,000
Bay III	2000	179	5,000,000	4,900,000
Crescendo IV	2000	574	10,000,000	10,000,000
Dawntreader Fund II	2000	202	30,000,000	30,000,000
Draper Fisher Jurvetson ePlanet Ventures	1999	638	30,000,000	29,250,000
Draper Fisher Jurvetson Fund VI	1999	378	2,000,000	2,000,000
Draper Fisher Jurvetson Fund VII	2000	643	5,000,000	4,900,000
Draper Fisher Jurvetson Gotham Venture Fund	1999	86	3,000,000	2,775,000
Focus Ventures II	2000	443	30,000,000	28,350,000
Francisco Partners II	2005*	2,300	5,000,000	3,500,000
Institutional Venture Partners XII	2007	606	5,000,000	2,250,000
New Enterprise Associates 9	1999	880	5,000,000	4,919,438
New Enterprise Associates 10	2000	2,300	10,000,000	9,650,000
New Enterprise Associates 12	2006	2,500	3,000,000	1,770,000
Oak Investment Partners X	2000	1,600	10,000,000	10,000,000
Sprout Capital IX	2000	1,080	3,750,000	3,750,000
Technology Crossover Ventures IV	2000	1,640	25,000,000	24,222,500
Vanguard VII	2000	211	3,000,000	3,000,000
VantagePoint Venture Partners IV	2000	1,400	10,000,000	10,000,000
VantagePoint Venture Partners 2006 Fund	2006	1,000	5,000,000	1,750,000
Vector Capital IV	2007	1,200	4,000,000	688,346
Zone Venture Fund II	1999	98	10,000,000	10,000,000
Zone Venture Fund II Annex	2004	4	400,000	400,000
			<u>219,150,000</u>	<u>203,075,284</u>

* Francisco Partners consider their FPPII fund to be 2006 vintage.

Portfolio Summary

	31 March 2009 US\$	31 March 2008 US\$	31 March 2007 US\$
Total called capital	203,075,284	194,404,990	184,942,600
Total distributions	115,011,079	109,795,000	80,897,300
Net asset value per Ordinary Share	306.41c	359.14c	339.59c

Review of Individual Venture Capital 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
Called capital (31 March 2009)	\$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
Called capital (31 March 2009)	\$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. It has raised five international venture capital funds and currently manages over one billion dollars. The Group has managed technology investments in over 150 companies, concentrating on software system, component and service companies that are focused on delivering new solutions based on technical, market or business model innovation. Crescendo typically invest in early stage technology companies that have begun to demonstrate the potential for market leadership. Investments have been made in the US, the UK, Mainland Europe and Israel.

Total committed capital	\$574m
Private Equity Investor commitment	\$10m
Called capital (31 March 2009)	\$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.

Total committed capital	\$202m
Private Equity Investor commitment	\$30m
Called capital (31 March 2009)	\$30m

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

Draper Fisher Jurvetson ePlanet Ventures (“DFJ ePlanet”) is a joint venture with Draper Fisher Jurvetson “DFJ” 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 focuses on a broad range of interests in the information technology, life sciences and medical device sectors. The company focuses on expansion and later stage investments in the US and in seed to late stage investments in Europe, Israel and Asia. DFJ ePlanet has made investments in sectors such as internet wireless communications and applications, semiconductor design, VOIP, broadband and other emerging services sectors.

Total committed capital	\$638m
Private Equity Investor commitment	\$30m
Called capital (31 March 2009)	\$29.25m

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 and has offices in more than 33 major technology centres around the world. DFJ has approximately \$6 billion in capital commitments and has made more than 600 investments in four continents. 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
Called capital (31 March 2009)	\$2m

Total committed capital (Fund VII)	\$643m
Private Equity Investor commitment (Fund VII)	\$5m
Called capital (31 March 2009)	\$4.9m

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 Northeast 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–\$3 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	\$3m
Called capital (31 March 2009)	\$2.775m

Focus Ventures II (www.focusventures.com)

Focus Ventures, located in Palo Alto, California, was founded in 1977 and currently has over \$830 million under management. The 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 Ventures serving as lead investor in approximately half of the rounds in which they participate.

Total committed capital	\$443m
Private Equity Investor commitment	\$30m
Called capital (31 March 2009)	\$28.35m

Francisco Partners II (www.franciscopartners.com)

Francisco Partners, based in San Francisco, 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 \$2 billion. Francisco Partners 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	\$2.3b
Private Equity Investor commitment	\$5m
Called capital (31 March 2009)	\$3.5m

Institutional Venture Partners XII (www.ivp.com)

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 28-year history, IVP has invested in over 300 companies – with more than 85 IPOs to its credit. IVP XII, a \$600 million fund, focuses on investments in rapidly-growing information technology companies covering three target sectors: communications and wireless, internet and digital media and enterprise IT companies.

Total committed capital	\$606m
Private Equity Investor commitment	\$5m
Called capital (31 March 2009)	\$2.25m

REVIEW OF INVESTMENTS (CONTINUED)

New Enterprise Associates (“NEA”) 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 in 13 funds. 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; Chevy Chase, Maryland; and Baltimore, Maryland, a majority of NEA’s portfolio companies are close to an NEA office. NEA has funded over 550 companies, of which more than 160 have gone public and more than 245 have successfully merged or been acquired.

Total committed capital (NEA 9)	\$880m
Private Equity Investor commitment (NEA 9)	\$5m
Called capital (31 March 2009)	\$4.919m
Total committed capital (NEA 10)	\$2.3b
Private Equity Investor commitment (NEA 10)	\$10m
Called capital (31 March 2009)	\$9.65m
Total committed capital (NEA 12)	\$2.5b
Private Equity Investor commitment (NEA 12)	\$3m
Called capital (31 March 2009)	\$1.77m

Oak Investment Partners X (www.oakinv.com)

Oak Investment Partners (“Oak”) 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 30 years, Oak has achieved a strong track record funding more than 480 companies at various points in their lifecycle. Oak seeks ownership levels of at least 15% with many positions greater than 50%. Investments will typically range from \$15–100 million.

Total committed capital	\$1.6b
Private Equity Investor commitment	\$10m
Called capital (31 March 2009)	\$10m

Sprout Capital IX (“Sprout”) (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	\$1.08b
Private Equity Investor commitment	\$3.75m
Called capital (31 March 2009)	\$3.75m

Technology Crossover Ventures IV (www.tcv.com)

Technology Crossover Ventures (“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 \$7.7 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	\$1.64b
Private Equity Investor commitment	\$25m
Called capital (31 March 2009)	\$24.223m

REVIEW OF INVESTMENTS (CONTINUED)

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. Vanguard has \$500 million under management and 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
Called capital (31 March 2009)	\$3m

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

Since 1996 VantagePoint has raised nearly \$4.5 billion of committed capital and is an active multi-stage investor with offices in San Bruno, California; Montreal; Hong Kong and Beijing. The fund seeks investment opportunities that typically require \$15–\$50 million ranging from start-ups to pre-IPO funding but also has the capacity to invest in excess of \$100 million in support of a single company. 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. VantagePoint was the first large venture capital firm to recognise the opportunity in the CleanTech sector and have since committed \$1 billion to this opportunity. The fund also has the largest CleanTech team including experts in the field of energy, water, materials and transportation. The investment focus falls into three key areas: CleanTech (the application of technology to energy, water and materials), healthcare and technology companies.

Total committed capital (VPVP Fund IV)	\$1.4b
Private Equity Investor commitment	\$10m
Called capital (31 March 2009)	\$10m

Total committed capital (VPVP 2006 Fund)	\$1.0b
Private Equity Investor commitment	\$5m
Called capital (31 March 2009)	\$1.75m

Vector Capital IV ("Vector") (www.vectorcapital.com)

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 WordPress software. Vector Capital was founded in 1977 and has, with the closing of Fund IV, over \$2 billion in capital under management. Vector is highly selective, choosing to invest in only a handful of opportunities each year – they invest in technology companies that have at least \$30 million in revenue, strong customer bases and high gross profit margins.

Total committed capital	\$1.2b
Private Equity Investor commitment	\$4m
Called capital (31 March 2009)	\$0.688m

Zone Venture 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	\$98m
Private Equity Investor commitment*	\$10m
Called capital (31 March 2009)*	\$10m

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

Portfolio Summary

Total commitment	\$219,150,000
Total called capital at 31 March 2009	\$203,075,284

INVESTMENT PORTFOLIO

as at 31 March 2009

	<i>Total commitment</i>	<i>Fair value</i>	<i>Fair value</i>	<i>% of net assets</i>	<i>% of net assets</i>
	US\$'000	US\$'000	£'000	2009	2008
<i>Unquoted Venture Capital Funds</i>					
APV Technology Partners III	5,000	378	264	0.4	0.4
Bay III	5,000	133	93	0.1	0.3
Crescendo IV	10,000	3,895	2,717	3.6	2.9
Dawntreader Fund II	30,000	13,025	9,087	12.2	9.8
Draper Fisher Jurvetson ePlanet Ventures	30,000	10,547	7,358	9.8	9.0
Draper Fisher Jurvetson Fund VI	2,000	1,312	915	1.2	1.0
Draper Fisher Jurvetson Fund VII	5,000	3,456	2,411	3.2	2.4
Draper Fisher Jurvetson Gotham Venture Fund	3,000	1,821	1,271	1.7	1.4
Focus Ventures II	30,000	9,079	6,334	8.5	6.2
Francisco Partners II	5,000	2,832	1,976	2.6	1.4
Institutional Venture Partners XII	5,000	2,074	1,447	1.9	0.5
New Enterprise Associates 9	5,000	1,232	860	1.2	1.1
New Enterprise Associates 10	10,000	4,506	3,143	4.2	4.0
New Enterprise Associates 12	3,000	1,641	1,145	1.5	0.7
Oak Investment Partners X	10,000	6,159	4,297	5.8	4.6
Sprout Capital IX	3,750	1,571	1,096	1.5	1.1
Technology Crossover Ventures IV	25,000	9,265	6,464	8.7	6.8
Vanguard VII	3,000	931	650	0.9	0.9
VantagePoint Venture Partners IV	10,000	7,696	5,369	7.2	5.4
VantagePoint Venture Partners 2006 Fund	5,000	1,535	1,071	1.4	0.6
Vector Capital IV	4,000	605	422	0.6	0.2
Zone Venture Fund II	10,000	1,701	1,187	1.6	1.7
Zone Venture Fund II Annex	400	184	128	0.2	0.2
Total Unquoted Venture Capital Funds	219,150	85,578	59,705	80.0	62.6
<i>Open-ended Investment Funds</i>					
Global Treasury Funds Plc	–	–	–	–	9.8
JP Morgan USD Liquidity Distribution Fund	–	5,500	3,837	5.1	10.4
Merrill Lynch Institutional USD Fund	–	5,500	3,837	5.1	10.4
Total Open-ended Investment Funds	–	11,000	7,674	10.2	30.6
<i>Other Investments held directly by the Company</i>					
<i>Common Stock*</i>					
Artemis International Solutions	–	–	–	–	–
Broadcom Corporation Class A	–	12	8	–	–
Divx Inc	–	536	375	0.5	0.7
Total Other Investments	–	548	383	0.5	0.7
Total Investments	219,150	97,126	67,762	90.7	93.9
Other non-current assets		9	6	–	–
Net current assets		9,966	6,953	9.3	6.1
Net assets		107,101	74,721	100.0	100.0

* These were acquired as distributions from the portfolio of Venture Capital 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 66. 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 UK Emerging Fund PLC, Foresight 2 VCT PLC, Foresight 3 VCT PLC, Foresight 4 VCT PLC, SportingBet Plc and Unicorn AIM VCT and a director of Polar Capital Technology Trust PLC, Graphite Enterprise Trust Plc, Mears Group Plc, 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 45. He has, since October 1999, been director and fund manager of Laxey Partners Limited. 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 54. 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 Carpathian Plc and a director of Dunedin Income Growth Investment Trust PLC, Augean PLC and Essenden 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 62. 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 a non-executive director of Portmeirion Group Plc, Nationwide Accident Repair Services Plc, Robert Walters Group Plc, Planet Payment Inc, Magna International, Massey Energy Company, Bakaert NV, Forte energy NL and ATP Oil and Gas Corporation.

David Quysner CBE (appointed 22 October 2004), (Non-Executive Director) is aged 62. He has spent more than 35 years in venture capital with 3i and subsequently with Abingworth, of which he is currently non-executive chairman and has wide experience of making and managing investments in technology companies in both the USA and the UK. He was chairman of the British Venture Capital Association in 1996/97. He is non-executive chairman of Capital for Enterprise Limited, which manages investment programmes focused on SMEs principally on behalf of the Department of Business Innovation and Skills. He is also chairman of RCM Technology Trust Plc and a director of ANGLE Plc, Foresight 2 VCT 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 the trading name of Capita Financial Group – Specialist Fund Services and 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 2009.

Business Review

Introduction

The Directors' Report 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 in accordance with its investment objective and policy. The Directors do not envisage any change to this activity in the future.

The Company has a portfolio of Venture and Development Capital Funds to which it has made capital commitments, some of which remain to be drawn down. The Company will honour these commitments and will continue to receive distributions in cash and in specie from the Funds. It does not, however, currently intend to enter into any new commitments and it is the Company's intention to make periodic returns of capital to shareholders when monies are received from the Funds. As noted below, Campton Group, in which the Company has conversion rights that would allow it to hold a majority stake, is developing a fund-of-funds management and advisory business that, if successful, would continue beyond the liquidation of the portfolio.

A review of the Company's activities is given in the Chairman's statement on pages 4 to 6 and in the review of investments on pages 7 to 11.

Results and dividends

The results for the year are set out in the consolidated income statement on page 31. During the year, as a result of reduced cash balances and lower interest rates, the Company received less income from the surplus undrawn cash that had been invested in open-ended investment companies. The Directors are therefore not recommending the payment of a dividend for the year ended 31 March 2009.

Status

The Group comprises Private Equity Investor PLC and its subsidiary, Campton Group, Inc., a company registered in the United States providing private equity advisory services. Campton acts as investment advisor to the Company.

The Company is an investment company as defined under Section 833 of the Companies Act 2006, and was incorporated and registered in England and Wales 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 (“ICTA”) for the accounting year ended 31 March 2008. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. 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”).

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Investment objective

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 its intended life.

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. Such funds have been selected with regard to the experience and track record of the managers, their investment strategy and the strength and quality of their deal flow.

Further details of the Investment Policy are provided on the inside front cover and page 1 of this report.

Net asset valuation

The net asset value per Ordinary Share at 31 March 2009 was 213.77p (2008: 180.70p).

Venture Capital Funds are stated at Directors' valuation with reference to IPEVC guidelines which is 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 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. In the case of non-listed securities, the valuations are at fair value after applying a discount to reflect liquidity and market conditions. Venture Capital Funds value 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. This accords with the Company's accounting policy for valuations.

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 the 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. The Company's performance against its selected benchmark is referred to in the Chairman's Statement on page 4.

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 for the year ended 31 March 2009 was 1.43% (2008: 1.23%). As the Company returns cash to shareholders the percentage of expenses to net assets will increase.

Discount

The Directors regularly monitor the level of discount at which the Group's shares are trading. On 31 March 2009 the Group's share price stood at a discount of 48.31% to net asset value, a significant increase compared to 20.03% 12 months earlier.

The Directors have considered the introduction of a discount protection mechanism, whereby the Company might purchase shares in the market at a stated minimum discount to NAV. However, unlike many other investment trusts, the Company does not hold readily marketable investments from which such purchases might be funded; moreover, it has already indicated that it will periodically distribute to shareholders the proceeds of distributions from its portfolio. In these circumstances, the Directors do not consider that a formal discount protection mechanism is appropriate but they reserve the ability to buy in shares from time to time (see page 17: Buyback of shares).

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 to 24.

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 financial risks is set out in Note 19 to the accounts on pages 49 to 53.

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 12 show that directly held publicly quoted investments amounted to 0.5% of the Company's net assets as at 31 March 2009.

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 23) which are themselves invested in over 500 underlying companies.

Regulatory Breach risk

Relevant legislation and regulations which apply to the Company include the Companies Act 1985 and the Companies Act 2006 (as enacted) ("the Companies Acts"), the ICTA and the Listing Rules of the Financial Services Authority ("FSA"). The Company has noted the recommendations of the Combined Code on Corporate Governance and the AIC Corporate Governance and the relevant AIC Guide for Investment Companies. Its statement of compliance appears on page 19. A breach of ICTA could result in the Company losing its status as an investment trust company and becoming subject to capital gains tax, whilst a breach of the Listing Rules might result in censure by the FSA. At each Board meeting the status of the Company is considered and discussed, so as to ensure that all regulations are being adhered to by the Company and its service providers.

There have been no breaches of laws or regulations during the period under review and up to the date of this report.

Valuation risk

The Directors are to a significant extent reliant on the accuracy and timeliness of the financial information provided to them by the General Partners of the Venture Capital Funds in which the Company invests. US Venture Capital Funds are in a transitional phase from GAAP to IFRS accounting. Valuation basis may therefore differ between funds and could result in inconsistencies between Funds. The Company receives valuations on a quarterly basis therefore there can be a time delay in the valuations being reported to the Company and reflected in its net asset value.

Market operation risk

The Company is reliant on the efficient operation of the markets to provide an exit route from its investments held within its Venture Capital Funds. Exits are achieved through trade sales and the sale of stocks following an IPO of an underlying company. In periods of uncertain markets, these exit routes can be delayed and the Company may see a decrease in distributions received.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 Capital 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 2009 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

Despite difficult economic circumstances, the Company's portfolio has continued to deliver a flow of distributions and this is expected to continue, albeit at a low level in current markets. It is the Company's stated policy that it continues to meet existing commitments to the Funds in which it has invested but that it is not making new commitments. Instead, the Company proposes to make periodic returns of capital to shareholders and this will be financed out of distributions from the Funds or by the sale of holdings in individual Funds (as was the case in 2005 when the Company's over-commitment was eliminated in this way).

In addition to the value of its portfolio, the Company has valuable expertise in Venture Capital fund-of-funds management. It is seeking to build on this through the development of Campton, in which it has the right to acquire a majority holding. As previously reported to shareholders, Campton is looking to raise and thereafter manage a new fund-of-funds vehicle.

Buyback of shares

In May 2008, shareholders approved the cancellation of the Company's Share Premium Account which, subject to the necessary court approval obtained on 29 October 2008, permitted the creation of a special distribution reserve. This enabled the Company to make further returns of capital to shareholders.

The Company tendered for and repurchased for cancellation 7,769,733 shares on 15 December 2008 representing 18.19% of the then issued share capital. The total cost of the tender offer was £17,500,000 plus £290,000 costs.

At the year-end and date of this report the Company had issued share capital of 34,953,675 Ordinary Shares of 0.01p each. Holders of Ordinary Shares have unrestricted voting rights at all general meetings of the Company.

The Campton Group, Inc.

The Company has appointed Campton Group, Inc. ("Campton") which is based in San Francisco as its investment advisor. The Company has previously provided Campton with finance with a view to developing Campton's private equity fund-of-funds management and advisory business. The Company has conversion rights on exercise of which it would hold a majority stake in Campton with the balance being held by Campton's management team. As reported previously, Campton advises the Company on its existing portfolio and has been developing a fund-of-funds management and advisory business. Campton's efforts to develop its business have been hindered as a result of the global financial crisis. While Campton continues its efforts, the Company and Campton are also exploring strategic alternatives for Campton's business.

Environment, employment and socially responsible investment

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. The Company has one employee, the office manager of its London office.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Financial instruments

The policy and practice of the Company with regard to financial instruments is set out in note 19 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, Inc., a Californian registered corporation. A fee of up to 0.7% per annum of the net asset value is payable, plus expenses, to Campton which is invoiced monthly. The notice period to be given by either party is six months and no compensation is payable in the event of termination. The Company will remain self-managed and the Board 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. It provides similar services for a number of other investment trusts. The administration agreement may be terminated by either party giving not less than 12 months' notice. VAT was charged on this contract until October 2008, details of fees paid are disclosed in Note 3 to the accounts on page 42.

Contractual arrangements essential to the business of the Company

Other than the investment advisor, Campton Group, Inc., and the Company Secretarial and Administrative Agreement described above, there are no contractual arrangements that are considered essential to the business of the Company.

Directors

The Directors in office during the year and at the date of this report, along with their biographies, are shown on page 13.

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 2009</i>	<i>1 April 2008</i>
Peter Dicks	34,538	42,724
Colin Kingsnorth	–	–
Rory Macnamara	–	–
David Quysner	–	–
Lady Barbara Judge	21,039	23,080

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

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Substantial share interests

At 31 July 2009 the holdings representing 3% or more of the total voting rights, notified to the Company, were:

	<i>Shares</i>	<i>Contracts for difference</i>	<i>Total interest</i>	<i>%</i>
Fund under discretionary management of Laxey Partners Limited	9,467,056	–	9,467,056	27.08
Deutsche Bank AG Tilney Group Limited	6,122,280	995,209	7,117,489	20.36
QVT Fund LP	4,100,856	5,553,516	9,654,372	27.62

Section 992 Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

- The Company's capital structure and voting rights are summarised on page 17.
- Details of the substantial shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on page 20.
- The giving of powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders. The Board's current powers to buy back shares and proposals for their renewal are detailed on page 24.
- There are: no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.
- Details of agreements between the Company and its Directors concerning compensation for loss of office are disclosed on page 26.

Statement of Compliance with the AIC Code of Corporate Governance©

The Board of PEI 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 PEI.

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, except as set out below.

The Combined Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

For the reasons set out in the AIC Guide, and in the Preamble to the Combined Code, the Board considers that these provisions are not relevant to the position of PEI. The Company has therefore not reported further in respect of these provisions.

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 13.

The Board has decided that, given the size and operation of the Board it is 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.

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 which was previously paid to Peter Dicks in respect of additional duties carried out as disclosed on page 26, is not deemed to affect his independence. He has no significant commitments other than those disclosed in his biography on page 13.

Each of the Directors in office at 31 March 2009 has a letter of appointment with the Company. Appointments may be terminated by 12 months' notice.

The Board recently carried out a formal evaluation process of its performance as a whole, and that of its committees, the Chairman and the individual Directors. This was by informal interview and questionnaire. This latest such evaluation concluded that all Directors contribute effectively, 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 notes the AIC recommendation on tenure of office and Directors serving more than nine years are 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. Having served nine years, Lady Judge is seeking re-election at the AGM to be held on 16 September 2009 in accordance with the AIC recommendation and by rotation in accordance with the Articles of Association.

The Board recommends the re-appointment of Lady Judge. This recommendation is based on the following:

Lady Judge, Director retiring in accordance with the Articles of Association, is recommended for re-appointment as she has a wide range of experience of venture capital, investment management and financial markets in the UK and the USA. Lady Judge also has experience of serving on a number of public company boards, including investment trusts. She has a strong knowledge of corporate governance and was deputy chairman of the UK Financial Reporting Council and has been a Commissioner of the US Securities and Exchange Commission. She is currently chairman of the US/UK Taskforce on Corporate Governance.

The attendance of individual Directors, and in brackets the number of Board meetings and committee meetings each Director was eligible to attend during the year ended 31 March 2009, is set out below:

	<i>Board</i>	<i>Audit</i>	<i>Remuneration</i>	<i>Nomination</i>	<i>Management Engagement</i>
Peter Dicks	6 (6)	2 (2)	1 (1)	1 (1)	1 (1)
Colin Kingsnorth	2 (6)	N/A	N/A	N/A	N/A
Rory Macnamara	6 (6)	2 (2)	1 (1)	1 (1)	1 (1)
David Quysner	6 (6)	2 (2)	1 (1)	1 (1)	1 (1)
Lady Barbara Judge	5 (6)	N/A	N/A	N/A	N/A

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Board responsibilities

The Board is responsible for all matters of the direction and control of the Company, including its investment policy and investment decisions and no one individual has unfettered powers of decision. The Board is ultimately responsible for the appointment of all service providers and the Company's bankers, determining the level of gearing, selecting suitable accounting policies and the publication of annual report, half-yearly reports, interim management statements and other forms of shareholder communication, including the Company's website www.peiplc.com. 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. Under Article 148 of the Company's Articles of Association, the Company provides the Directors of the Company, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. A Deed of indemnity relating to the granting of indemnities to the Directors was executed on behalf of the Company on 10 April 2008.

Conflict of interest

The Articles of Association were amended at the 2008 Annual General Meeting to permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations.

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 half-yearly 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, it agreed that the £10,000 fees received by the Auditor in respect to the tender offer did not affect their independence 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. Representatives of Ernst & Young LLP, the Company's Auditor, attend the year end meeting of the Audit Committee and have direct access to Committee members between meetings. The Committee met twice during the year ended 31 March 2009.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 re-appointment of retiring Directors. It operates under defined terms of reference. The Committee met once during the year ended 31 March 2009.

Remuneration Committee

The Remuneration Committee comprises Peter Dicks and David Quysner and is chaired by Rory Macnamara. The Directors' remuneration report on pages 26 and 27 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 2009.

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 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 systems of internal control and for reviewing their 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 FRC guidance in the document 'Internal Control: Revised 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 20 July 2009. 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. This assessment did not include the Subsidiary.

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.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 and compliance with laws and regulations;
- relationship with service providers; and
- investment and business activities.

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 advisors in the terms of their contracts. The appointment of agents and advisors 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 undertaken by third party service providers whose internal controls are reviewed on a regular basis, as set out above.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 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.

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.

Copies of the annual reports are dispatched to shareholders by mail and are also available for download from the Company's website, www.peiplc.com. Net asset values are released on a monthly basis to the London Stock Exchange and to the AIC for posting onto its website www.theaic.co.uk. The Board is directly responsible for all statements regarding 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 55.

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 2009 there were no trade creditors (2008: none).

Annual General Meeting

The Notice of Annual General Meeting on page 56 sets out both the Ordinary Business and the Special Business to be conducted at the meeting.

There is one item of Special Business. Resolution 5, which is a Special Resolution, proposes to extend the Company's powers, subject to certain defined parameters, as laid out in the notice of meeting, to purchase the Company's shares in the market for a further year. All shares previously repurchased by the Company have been cancelled, but the Board maintains the option to place shares in Treasury and will review the position when shares are repurchased. This authority will be exercised only if having taken account of the likely impact on the financial position of the Company, the Directors are satisfied that any such purchases will be in the interest of shareholders. The authority granted at last year's Extraordinary General Meeting on 11 December was used to repurchase 7,769,733 shares by means of a tender offer on 15 December 2008. There remained an unused authority to purchase 2,906,846 shares at the year end. The authority to repurchase up to 6,404,240 granted at last year's Annual General Meeting was not utilised.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 13. 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

PETER DICKS

Chairman

31 July 2009

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 on pages 29 and 30.

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 of remuneration for the forthcoming year.

Review of remuneration structure

None of the Directors has a contract of service. 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. Peter Dicks was previously paid additional remuneration in respect of management of the Company's office and corporate affairs. Directors are not eligible for bonuses pension benefits, share options or long-term incentive schemes.

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)

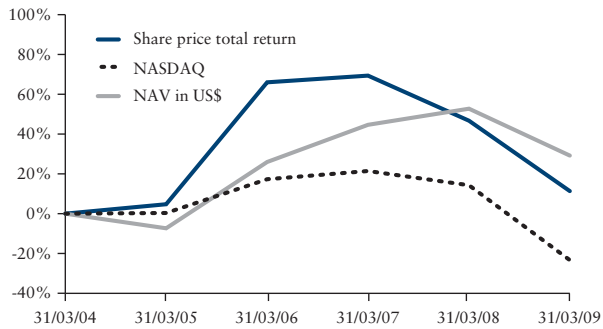
The remuneration of the Directors for the year ended 31 March 2009 was as follows:

	<i>2009</i>	<i>2008</i>
	<i>Fees</i>	<i>Fees</i>
	<i>£'000</i>	<i>£'000</i>
Peter Dicks	40	49
Colin Kingsnorth	20	20
Rory Macnamara	20	20
David Quysner	20	20
Lady Barbara Judge*	20	20
	<hr/>	<hr/>
	120	129
	<hr/>	<hr/>

* Fees in respect to Lady Judge are paid to BT Consulting Inc Limited.

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 26 and 27 was approved by the Board of Directors on 31 July 2009.

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 United Kingdom law and those International Financial Reporting Standards ("IFRS") adopted by the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by the Auditor does not include consideration of the maintenance and integrity of the website and accordingly the Auditor accepts no responsibility for any changes that have occurred to the financial statements when they are presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit/(loss) of the Company and the Group; and
- the Chairman's Statement and Report of the Directors include a fair review of the development and performance of the business and the position of the Company and the Group together with a description of the principal risks and uncertainties that it faces.

By order of the Board
PETER DICKS
Chairman
31 July 2009

REPORT OF THE INDEPENDENT AUDITOR

to the members of Private Equity Investor PLC

We have audited the Group and Parent Company financial statements (the “financial statements”) of Private Equity Investor PLC for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated and Company statements of changes in equity, the consolidated and company balance sheets, the consolidated and Company cash flow statements and the related Notes 1 to 21. 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 International Financial Reporting Standards (“IFRSs”) as adopted by the European Union are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements and the part of the 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements.

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

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the investment objective and policy, summary of results and financial highlights, Chairman’s statement, review of investments, investment portfolio, Directors and Secretary, Directors’ report and business review, the unaudited part of the Directors’ remuneration report, glossary of terms, Company information and 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.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

to the members of Private Equity Investor PLC

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 Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its net return for the year then ended;
- the Parent Company's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2009;
- 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 Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP

Registered Auditor

London

31 July 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2009

	Notes	<i>Year ended 31 March 2009</i>			<i>Year ended 31 March 2008</i>		
		<i>Revenue return £'000</i>	<i>Capital return £'000</i>	<i>Total £'000</i>	<i>Revenue return £'000</i>	<i>Capital return £'000</i>	<i>Total £'000</i>
Gains on investments at fair value through profit and loss	9	–	15,108	15,108	–	3,388	3,388
Exchange gain/(loss) on other items	9	–	1,161	1,161	–	(32)	(32)
		<u>–</u>	<u>16,269</u>	<u>16,269</u>	<u>–</u>	<u>3,356</u>	<u>3,356</u>
Operating income							
Investment income		580	–	580	1,341	–	1,341
Other operating income		22	–	22	167	–	167
Total operating income	2	<u>602</u>	<u>–</u>	<u>602</u>	<u>1,508</u>	<u>–</u>	<u>1,508</u>
Operating expenses							
Administrative expenses	3	(1,068)	–	(1,068)	(947)	–	(947)
Total expenses		<u>(1,068)</u>	<u>–</u>	<u>(1,068)</u>	<u>(947)</u>	<u>–</u>	<u>(947)</u>
Operating (loss)/profit		<u>(466)</u>	<u>16,269</u>	<u>15,803</u>	<u>561</u>	<u>3,356</u>	<u>3,917</u>
(Loss)/profit before tax		(466)	16,269	15,803	561	3,356	3,917
Tax	5	–	–	–	–	–	–
(Loss)/profit for the period		<u>(466)</u>	<u>16,269</u>	<u>15,803</u>	<u>561</u>	<u>3,356</u>	<u>3,917</u>
Attributable to:							
Equity holders of the parent		(466)	16,269	15,803	561	3,356	3,917
Minority interest		–	–	–	–	–	–
Earning per share							
From continuing activities							
Basic	8	<u>(1.15)p</u>	<u>40.19p</u>	<u>39.04p</u>	<u>1.17p</u>	<u>7.02p</u>	<u>8.19p</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

	<i>Share capital</i>	<i>Share premium account</i>	<i>Special redemption reserve</i>	<i>Capital reserve</i>	<i>Capital translation reserve</i>	<i>Currency translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2009								
As at 1 April 2008	4	96,862	–	1	(20,117)	9	441	77,200
Profit/(loss) for the year	–	–	–	–	16,269	(22)	(466)	15,781
Dividends paid	–	–	–	–	–	–	(470)	(470)
Transfer between reserves	–	(96,862)	96,862	–	–	–	–	–
Tender offer	(1)	–	(17,790)	1	–	–	–	(17,790)
As at 31 March 2009	3	–	79,072	2	(3,848)	(13)	(495)	74,721
Year ended 31 March 2008								
As at 1 April 2007	5	96,862	–	–	(10,732)	4	430	86,569
Profit for the year	–	–	–	–	3,356	5	561	3,922
Dividends paid	–	–	–	–	–	–	(550)	(550)
Tender offer	(1)	–	–	1	(12,741)	–	–	(12,741)
As at 31 March 2008	4	96,862	–	1	(20,117)	9	441	77,200

The notes on pages 38 to 53 form part of these accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

	<i>Share capital</i>	<i>Share premium account</i>	<i>Special redemption reserve</i>	<i>Capital reserve</i>	<i>Capital reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2009							
As at 1 April 2008	4	96,862	–	1	(20,117)	586	77,336
Profit/(loss) for the year	–	–	–	–	16,269	(367)	15,902
Dividends paid	–	–	–	–	–	(470)	(470)
Transfer between reserves	–	(96,862)	96,862	–	–	–	–
Tender offer	(1)	–	(17,790)	1	–	–	(17,790)
As at 31 March 2009	3	–	79,072	2	(3,848)	(251)	74,978
Year ended 31 March 2008							
As at 1 April 2007	5	96,862	–	–	(10,732)	573	86,708
Profit for the year	–	–	–	–	3,356	563	3,919
Dividends paid	–	–	–	–	–	(550)	(550)
Tender offer	(1)	–	–	1	(12,741)	–	(12,741)
As at 31 March 2008	4	96,862	–	1	(20,117)	586	77,336

The notes on pages 38 to 53 form part of these accounts.

CONSOLIDATED BALANCE SHEET

as at 31 March 2009

	<i>Notes</i>	<i>31 March 2009 £'000</i>	<i>31 March 2008 £'000</i>
Non-current assets			
Investments at fair value through profit or loss	9	67,762	72,466
Property, plant and equipment		6	4
Current assets			
Trade and other receivables	11	28	279
Cash and cash equivalents	15	7,035	4,611
		7,063	4,890
Total assets		74,831	77,360
Current liabilities			
Trade and other payables	12	110	160
Net assets		74,721	77,200
Capital and reserves			
Share capital	13	3	4
Share premium account	14	–	96,862
Special reserve	14	79,072	–
Capital redemption reserve	14	2	1
Capital reserve	14	(3,848)	(20,117)
Currency translation reserve	14	(13)	9
Retained earnings	14	(495)	441
Shareholders' funds		74,721	77,200
Minority Interest		–	–
Total equity		74,721	77,200
Net asset value per Ordinary Share	16	213.77p	180.70p

The Group's financial statements were approved by the Board of Directors and were authorised for issue on 31 July 2009 and were signed on its behalf by:

PETER DICKS
Chairman

The notes on pages 38 to 53 form part of these accounts.

COMPANY BALANCE SHEET

as at 31 March 2009

	<i>Notes</i>	<i>31 March 2009 £'000</i>	<i>31 March 2008 £'000</i>
Non-current assets			
Investments at fair value through profit or loss	9	67,762	72,466
Investment in subsidiary	10	495	226
Current assets			
Trade and other receivables	11	16	236
Amount due from subsidiary	11	24	15
Cash and cash equivalents	15	6,774	4,527
		6,814	4,778
Total assets		75,071	77,470
Current liabilities			
Trade and other payables	12	93	134
Net assets		74,978	77,336
Capital and reserves			
Share capital	13	3	4
Share premium account	14	–	96,862
Special reserve	14	79,072	–
Capital redemption reserve	14	2	1
Capital reserve	14	(3,848)	(20,117)
Retained earnings	14	(251)	586
Shareholders' funds		74,978	77,336
Minority Interest		–	–
Total equity		74,978	77,336
Net asset value per ordinary share	16	214.51p	181.02p

The Company's financial statements were approved by the Board of Directors and were authorised for issue on 31 July 2009 and were signed on its behalf by:

PETER DICKS
Chairman

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2009

	<i>Year ended 31 March 2009 £'000</i>	<i>Year ended 31 March 2008 £'000</i>
Cash flows from operating activities		
Consolidated net return before tax	15,803	3,917
Adjustments to reconcile net return before tax to net cash flows from operating activities:		
Gains on investments	(16,269)	(3,356)
Exchange gains	713	121
Decrease in trade and other payables	(61)	(19)
Increase in trade and other receivables	144	81
Purchases of investments	(16,881)	(24,750)
Sales of investments	36,800	41,283
	20,249	17,277
Net cash flows generated from operating activities		
Investing activities		
Purchase of property, plant and equipment	(3)	–
	(3)	–
Net cash used in investing activities		
Financing		
Ordinary Shares purchased	(17,779)	(12,732)
Dividends paid	(470)	(550)
	(18,249)	(13,282)
Net cash used in financing activities		
Net increase in cash and cash equivalents	1,997	3,995
Cash and cash equivalents at beginning of year	4,611	765
Effect of foreign exchange rates on cash and cash equivalents	427	(149)
	7,035	4,611
Cash and cash equivalents at end of year	7,035	4,611

The notes on pages 38 to 53 form part of these accounts.

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2009

	<i>Year ended 31 March 2009 £'000</i>	<i>Year ended 31 March 2008 £'000</i>
Cash flows from operating activities		
Company net return before tax	15,902	3,919
Adjustments to reconcile net return before tax to net cash flows from operating activities:		
Gains on investments	(16,269)	(3,356)
Exchange gains	713	120
Decrease in trade and other payables	(52)	(31)
Increase in trade and other receivables	104	103
Purchases of investments	(16,881)	(24,750)
Sales of investments	36,800	41,283
	20,317	17,288
Net cash flows generated from operating activities		
	20,317	17,288
Investing activities		
Investment in subsidiary	(180)	(51)
	(180)	(51)
Net cash used in investing activities		
	(180)	(51)
Financing		
Ordinary Shares purchased	(17,779)	(12,732)
Dividends paid	(470)	(550)
	(18,249)	(13,282)
Net cash used in financing activities		
	(18,249)	(13,282)
Net increase in cash and cash equivalents	1,888	3,955
Cash and cash equivalents at beginning of year	4,527	723
Effect of foreign exchange rates on cash and cash equivalents	359	(151)
	6,774	4,527
Cash and cash equivalents at end of year	6,774	4,527

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The notes on pages 38 to 53 form part of these accounts.

NOTES TO THE ACCOUNTS

at 31 March 2009

1 ACCOUNTING POLICIES

Accounting convention

Private Equity Investor PLC is a Company incorporated in Great Britain and registered in England and Wales under the Companies Act 1985. The consolidated Annual Report for the Group for the year ended 31 March 2009 comprises the results of the Company and its Subsidiary, Campton Group, Inc. (together referred to as the “Group”). For further details see Basis of Consolidation below. The Company is registered as a public limited company and is an investment company as defined by section 833 of the Companies Act 2006. Campton Group, Inc. is a private equity fund-of-funds management and advisory business based in San Francisco, California.

Basis of Accounting

The consolidated annual financial statements of the Group have been prepared under International Financial Reporting Standards (“IFRS”), which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”). The annual financial statements of the Company have been prepared in accordance with IFRS as adopted by the European Union, and as applied in accordance with provisions of the Companies Act 1985. The financial statements have also been prepared in accordance with the Statement of Recommended Practice (“SORP”) (as amended December 2005) for investment trust companies except to any extent where it conflicts with IFRS.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2009. There are no differences between the accounting policies applied to the Group and the Company.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its principal subsidiary Campton Group, Inc.

Campton Group Inc is consolidated from the date of its acquisition, being the date on which the Company obtained control, and will continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The Company currently has an investment of £495,000 in Campton Group, Inc. by way of a secured promissory note agreement and a secured convertible promissory note agreement. If the Company were to exercise its conversion rights then it would hold a majority stake in Campton Group, Inc. As the convertible loan notes are convertible at any time, PEI has the power to exercise control over Campton. Therefore in preparing the financial statements, the Company has treated its investment in Campton Group, Inc. as a subsidiary and therefore produced consolidated financial statements.

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.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

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

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own income statement. The amount of the Company's return for the financial year dealt within in the accounts of the Group is £15,902,000 (2008: £3,919,000).

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The results of Campton Group, Inc. are immaterial for segmental reporting purposes.

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 Group'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.

Investments at fair value through profit or loss

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 Director's valuation with reference to IPEVC guidelines which is in 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. Loan notes to Campton Group, Inc. are valued at amortised 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 2009

Foreign currency translation

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

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Due to the extreme volatility of the USD to GBP exchange rate in the year income and expenses derived from foreign operations have been translated at the rates of exchange prevailing on the date of transaction. This represents a change in accounting basis, the effect of which is detailed in note 18. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Taxation

Deferred tax is recognised in respect of all temporary differences at the balance sheet date where transactions or events have occurred that result in an obligation to pay more, or the right to pay less tax in the future. This is subject to deferred tax assets being recognised only if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the marginal method.

Dividends payable to shareholders

Dividends to shareholders are recognised as a liability in the period in which they have been declared and paid.

Any final dividend proposed by the Board is not declared until approved by the shareholders at the Annual General Meeting following the year end.

Cash and cash equivalents

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

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.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations which are not effective for the year ended 31 March 2009 and have not been applied in preparing these financial statements.

		<i>Effective date</i>
<i>International Accounting Standards (IAS/IFRS)</i>		
IAS 1	Presentation of financial statements (revised)	1 January 2009
IAS 23	Amendment – Borrowing costs	1 January 2009
IAS 27	Consolidated and separate financial statements (revised)	1 July 2009
IAS 32	Amendment – Puttable financial instruments and obligations existing on liquidation	1 January 2009
IAS 39	Amendment – Financial Investments: Recognition and Measurement	1 July 2009
IFRS 2	Amendment – Share based payments: vesting conditions and cancellations	1 January 2009
IFRS 3	Business combinations (revised)	1 July 2009
IFRS 8	Operating segments	1 January 2009
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		
IFRIC 16	Hedges of a net investment in foreign operation	1 October 2008
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009

The Directors do not anticipate that the initial adoption of the above standards, amendments and interpretations will have a material impact on the Group's financial statements in the period of initial application.

2 INCOME

	2009		2008	
	<i>Group</i> £'000	<i>Company</i> £'000	<i>Group</i> £'000	<i>Company</i> £'000
Income from investments:				
Interest from open-ended investment funds	580	580	1,337	1,337
Loan interest from subsidiary	–	9	–	15
Other income from unquoted venture capital fund	–	–	4	4
	580	589	1,341	1,356
Other income:				
Deposit interest	22	20	167	160
Total income	602	609	1,508	1,516
Total income comprises:				
Interest	602	609	1,508	1,516

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

3 EXPENSES	2009		2008	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£'000	£'000	£'000	£'000
Secretarial services	102	100	92	91
Investment advisor's fees and expenses	–	523	–	442
Auditor's remuneration for:				
– audit*	28	28	24	24
Directors' remuneration	120	120	129	129
Other expenses – irrecoverable VAT	11	11	(1)	(1)
– operating lease of land and buildings	29	15	39	27
– public relations and advertising	27	9	18	15
– legal and professional fees	32	(2)	94	63
– office expenditure	58	17	46	22
– staff costs (see note 4)	342	67	251	61
– banking and custody charges	6	5	6	6
– other expenses	313	84	249	74
	1,068	977	947	953

* In addition £10,000 was paid to the Auditor in connection with the tender offer.

Of the total expenses above, £615,000 (2008: £436,000) relate to Campton Group, Inc.

4 STAFF COSTS	2009		2008	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	£'000	£'000	£'000	£'000
Salaries and other payments	335	60	245	55
Social security costs	7	7	6	6
	342	67	251	61

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report on page 26, the Group employed four members of staff during the year (2008: four members of staff).

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

5 TAXATION ON ORDINARY ACTIVITIES	2009			2008		
	<i>Revenue</i>	<i>Capital</i>		<i>Revenue</i>	<i>Capital</i>	
	<i>Return</i>	<i>Return</i>	<i>Total</i>	<i>Return</i>	<i>Return</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax at 28% (2008: 30%)	-	-	-	-	-	-
	-			-		

The Company is subject to corporation tax at 28% (2008: 30%). As at 31 March 2009 the total current taxation charge in the Company's revenue account is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009			2008		
	<i>Revenue</i>	<i>Capital</i>		<i>Revenue</i>	<i>Capital</i>	
	<i>Return</i>	<i>Return</i>	<i>Total</i>	<i>Return</i>	<i>Return</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Net return before finance costs and taxation	(466)	16,269	15,803	561	3,356	3,917
Theoretical tax at UK corporation tax rate of 28% (2008: 30%)	(131)	4,555	4,424	168	1,007	1,175
Effects of:						
- utilisation of brought forward losses	-	-	-	(172)	-	(172)
- expenses disallowed for taxation purposes	26	-	26	4	-	4
- gains on investments and exchange losses on capital items	-	(4,555)	(4,555)	-	(1,007)	(1,007)
- excess management expenses	105	-	105	-	-	-
	-			-		

At 31 March 2009, the Company had no unprovided deferred tax liabilities (2008: £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 £11,927,000 (2008: £10,388,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate sufficient 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 2009

6 DIVIDENDS	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
 Amounts recognised as distributions to equity holders within the period		
Dividend for the year ended 31 March 2008 of 1.1p (2007: 1.1p) per Ordinary Share	470	550

No distribution is proposed for the year ended 31 March 2009.

The requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered on the basis of dividends declared in respect of the financial year as shown below.

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Net return after taxation per Company accounts	(367)	563
Final dividend proposed of nil (2008: 1.1p) per share	–	(470)
Revenue retained for s842 purposes	(367)	93

7 PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the Profit and Loss Account of the Company is not presented as part of these financial statements. The consolidated net return after taxation for the financial year includes £15,902,000 (2008: £3,919,000) which is dealt with in the financial statements of the Company.

8 RETURN PER ORDINARY SHARE

	<i>2009</i>			<i>2008</i>		
	<i>Revenue return pence</i>	<i>Capital return pence</i>	<i>Total pence</i>	<i>Revenue return pence</i>	<i>Capital return pence</i>	<i>Total pence</i>
Return per Ordinary Share	(1.15)	40.19	39.04	1.17	7.02	8.19

Revenue return per Ordinary Share is based on the net loss on ordinary activities after taxation of £466,000 (2008: net return of £561,000), and on 40,482,139 (2008: 47,807,054) 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 £16,269,000 (2008: net capital gains of £3,356,000), and on 40,482,139 (2008: 47,807,054) 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 £15,803,000 (2008: £3,917,000), and on 40,482,139 (2008: 47,807,054) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

9 INVESTMENTS	2009 £'000	2008 £'000
Group and Company		
<i>a) Investment portfolio summary</i>		
USA		
Listed investments		
– common stock	383	511
Unlisted Venture Capital funds	59,705	48,293
Other investments		
– open-ended investment funds	7,674	23,648
– unlisted common stock	–	14
	67,762	72,466

A full listing of the investment portfolio is provided on page 12.

	<i>Unlisted equities £'000</i>	<i>Listed equities £'000</i>	<i>Listed open-ended investment funds £'000</i>	<i>Unlisted Venture Capital funds £'000</i>	<i>Total £'000</i>
<i>b) Analysis of investment portfolio movements</i>					
Opening book cost	58	1,134	24,914	65,444	91,550
Investment holding losses	(44)	(623)	(1,266)	(17,151)	(19,084)
Opening valuation	14	511	23,648	48,293	72,466
Movements in the year:					
Purchases at cost	–	–	12,025	–	12,025
Calls at cost	–	–	–	4,856	4,856
Sales					
– proceeds	–	(1,449)	(33,608)	–	(35,057)
– realised (losses)/gains on sales	(58)	(349)	2,595	–	2,188
Book cost adjustments from capital distributions					
– cash distributions	–	–	–	(1,636)	(1,636)
– stock distributions	–	1,358	–	(1,358)	–
Investment holding gains	44	312	3,014	9,550	12,920
Closing valuation	–	383	7,674	59,705	67,762
Closing book cost					
Closing book cost	–	694	5,926	67,306	73,926
Investment holding (losses)/gains	–	(311)	1,748	(7,601)	(6,164)
	–	383	7,674	59,705	67,762

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

9 INVESTMENTS – continued	2009	2008
	£'000	£'000
<i>c) Analysis of capital gains and losses</i>		
Realised gains/(losses) on sales	2,188	(1,299)
Increase in investment holding gains	12,920	4,687
	15,108	3,388
Realised exchange gains on capital items	713	120
Unrealised exchange gains/(losses) on capital items	448	(152)
	1,161	(32)

d) Significant holdings

The Company owns 14.9% and 10.3% of the total value of the called capital of Dawntreader Fund II and Zone Venture Fund II respectively.

e) Transaction costs

During the year the Company incurred no transaction costs (2008: £nil) in relation to purchases of investments and £5,000 (2008: £6,000) in relation to sales of investments. These amounts are included within gains and losses on investments at fair value within the income statement.

10 INVESTMENT IN SUBSIDIARY

The Company has an investment of £495,000 (2008: £226,000) in Campton Group, Inc., a company registered in the United States providing private equity advisory services. As at 31 March 2009, loan interest of £24,000 (2008: £15,000) was due to the Company from its subsidiary.

The subsidiary acts as investment advisor for the Company. Fees amounting to £523,000 have been charged to the Company by its subsidiary during the year (2008: £442,000).

11 TRADE AND OTHER RECEIVABLES

	2009		2008	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts owed by subsidiary	–	24	–	15
Sales for future settlement	–	–	107	107
Prepayments and other debtors	24	12	57	14
Accrued income	4	4	115	115
	28	40	279	251

12 TRADE AND OTHER PAYABLES

	2009		2008	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Other payables	89	72	151	125
Other taxation and social security	2	2	1	1
Tender offer costs	19	19	8	8
	110	93	160	134

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

13 SHARE CAPITAL	2009 £'000	2008 £'000
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:		
34,953,675 (2008: 42,723,408) Ordinary Shares of 0.01p each	3	4
	3	4

During the year the Company purchased for cancellation 7,769,733 Ordinary Shares under a Tender Offer for a total consideration of £17,500,000 plus expenses of £290,000. The full cost of the Tender Offer has been taken to the special reserve.

14 RESERVES

	<i>Share premium</i> £'000	<i>Special reserve</i> £'000	<i>Capital redemption reserve</i> £'000	<i>Capital reserve realised</i> £'000	<i>Capital investment holding losses</i> £'000	<i>Currency translation reserve</i> £'000	<i>Retained earnings</i> £'000
Group							
Beginning of year	96,862	–	1	(777)	(19,340)	9	441
Transfer between reserves	(96,862)	96,862	–	–	–	–	–
Net gains on realisation of investments	–	–	–	2,188	–	–	–
Investment holding gains	–	–	–	–	12,920	–	–
Exchange gains	–	–	–	713	448	–	–
Exchange differences on retranslation of net assets of subsidiary	–	–	–	–	–	(22)	–
Shares purchased for cancellation	–	(17,790)	1	–	–	–	–
Dividends paid	–	–	–	–	–	–	(470)
Net deficit for the year	–	–	–	–	–	–	(466)
End of year	–	79,072	2	2,124	(5,972)	(13)	(495)

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

14 RESERVES – continued

	<i>Share premium £'000</i>	<i>Special reserve £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Capital reserve realised £'000</i>	<i>Capital investment holding losses £'000</i>	<i>Retained earnings £'000</i>
Company						
Beginning of year	96,862	–	1	(777)	(19,340)	586
Transfer between reserves	(96,862)	96,862	–	–	–	–
Net gains on realisation of investments	–	–	–	2,188	–	–
Investment holding gains	–	–	–	–	12,920	–
Exchange gains	–	–	–	713	448	–
Shares purchased for cancellation	–	(17,790)	1	–	–	–
Dividends paid	–	–	–	–	–	(470)
Net deficit for the year	–	–	–	–	–	(367)
End of year	–	79,072	2	2,124	(5,972)	(251)

After receiving shareholder and court approval, in November 2008, to cancel the Company's Share Premium Account a Special Reserve was created to allow the Company to make further distributions to shareholders.

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH AND CASH EQUIVALENTS

	2009		2008	
	<i>Group £'000</i>	<i>Company £'000</i>	<i>Group £'000</i>	<i>Company £'000</i>
Increase in cash in the year	2,065	1,888	3,995	3,955
Effect of foreign exchange rate movements	359	359	(149)	(151)
Movement in cash and cash equivalents	2,424	2,247	3,846	3,804
Cash and cash equivalents at beginning of the year	4,611	4,527	765	723
Cash and cash equivalents at end of the year	7,035	6,774	4,611	4,527

Cash and cash equivalents are comprised as follows:

	2009		2008	
	<i>Group £'000</i>	<i>Company £'000</i>	<i>Group £'000</i>	<i>Company £'000</i>
Cash in hand at bank	7,035	6,774	4,611	4,527

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

16 NET ASSET VALUE PER ORDINARY SHARE

The Group net asset value per Ordinary Share is based on net assets of £74,721,000 (2008: £77,200,000) and on 34,953,675 (2008: 42,723,408) Ordinary Shares, being the number of shares in issue at the year-end.

The Company net asset value per Ordinary Share is based on net assets of £74,978,000 (2008: £77,336,000) and on 34,953,675 (2008: 42,723,408) Ordinary Shares, being the number of shares in issue at the year-end.

17 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2009 there were financial commitments outstanding of \$16.08 million (£11.2 million) (2008: £12.5 million) in respect of outstanding call commitments to limited partnerships, full details of which can be found on page 7.

18 CHANGES IN ACCOUNTING BASIS

In the prior period due to the relative stability of USD to GBP exchange rates the income and expenses of Campton Group, Inc. were translated at a weighted average exchange rate for the year. However, due to the extreme volatility of the exchange rate in the current period this method was inconsistent with IAS21. As a result the income and expenditure of Campton Group, Inc. has been translated at the exchange rates at the dates of the transactions.

This change in accounting basis reduced the net income of Campton Group, Inc. by £37,000 for the period.

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

As detailed on the inside of the front cover, the 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 and Group'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 and Group face through the holding of financial instruments are:

- liquidity/marketability risk, i.e. the risk that the Company or Group has difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments;
- interest rate risk;
- credit 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 or Group has significant exposure to credit risk. The Board monitors the financial risks affecting the Company and Group on a regular basis. The Directors receive financial information on a regular basis which is used to identify and monitor risk.

As required by IFRS 7: 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.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Financial assets

Full analysis of the Company's investment portfolio is given on page 12. The method of valuing the fixed asset investments is discussed in the accounting policies of the Company in Note 1 on page 39. Cash and debtors arising from the operations of the Company as at 31 March 2009 amounted to £6,774,000 (2008: £4,527,000) and £40,000 (2008: £251,000) respectively. Cash and debtors arising from operations of the Group as at 31 March 2009 amounted to £7,035,000 (2008: £4,611,000) and £28,000 (2008: £279,000) respectively. There were no material differences between the fair values of the investments as at 31 March 2009 and 31 March 2008 and the values attributable to those investments within the accounts.

Maturity analysis

The Company does not have any assets or liabilities maturing in more than one year.

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.

The Company currently has outstanding commitments of \$16,075,000 to these US venture capital funds, which will be financed through future distributions received and from cash and easily liquidated assets.

The Board manages liquidity risk by regularly reviewing its easily liquidated assets, which mainly comprise open-ended investment funds. Commitments to fund investments are reviewed and approved by the Board. In order to reduce risk, research and due diligence work is performed before any commitment is made to a fund manager.

Interest rate risk

The Company's revenue will be affected by changes in prevailing interest rates since a large portion of its income ordinarily derives from money market instruments and bank interest.

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

At 31 March 2009, the Company held investments in AAA-rated money market funds valued at £7.7 million (2008: £23.6 million), earning cash dividends at market rates. The money market funds are redeemable on less than 24 hours notice. Other floating rate financial assets comprised cash at bank.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Interest rate risk – continued

As at 31 March 2009, the average interest rate profile of the Company's financial assets was as follows:

	<i>Fixed rate Group £'000</i>	<i>Floating rate Group £'000</i>	<i>Non interest bearing Group £'000</i>	<i>Fixed rate Company £'000</i>	<i>Floating rate Company £'000</i>	<i>Non interest bearing Company £'000</i>
Open-ended investment funds	–	7,674*	–	–	7,674*	–
Quoted equities	–	–	383	–	–	383
Unlisted equities	–	–	–	–	–	–
Unlisted funds	–	–	59,705	–	–	59,705
Cash	–	7,035**	–	–	6,774**	–
Other net current assets	–	–	4***	–	–	28***
	–	14,709	60,092	–	14,448	60,116

As at 31 March 2008, the average interest rate profile of the Company's financial assets was as follows:

	<i>Fixed rate Group £'000</i>	<i>Floating rate Group £'000</i>	<i>Non interest bearing Group £'000</i>	<i>Fixed rate Company £'000</i>	<i>Floating rate Company £'000</i>	<i>Non interest bearing Company £'000</i>
Open-ended investment funds	–	23,648*	–	–	23,648*	–
Quoted equities	–	–	511	–	–	511
Unlisted equities	–	–	14	–	–	14
Unlisted funds	–	–	48,293	–	–	48,293
Cash	–	4,611**	–	–	4,527**	–
Other net current assets	–	–	222***	–	–	237***
	–	28,259	49,040	–	28,175	49,055

* 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.

*** Other net current assets exclude prepayments which under IFRS7 are not classified as financial assets.

If interest rates had reduced by 1% from those available at 31 March 2009, it would have had the effect, with all other variables held constant, of reducing the net revenue return before taxation and equity by £147,000 (2008: £283,000). If there had been an increase in interest rates of 1% there would have been an equal and opposite effect in the net revenue before taxation and equity. The calculations are based on cash at bank and open-ended investment funds as at 31 March 2009 and these may not be representative of the year as a whole.

Credit risk

The Company is exposed to credit risk through its loan to Campton Group, Inc. The loan notes issued under the terms of this loan are convertible to equity. The risk is deemed to be low as the Company maintains a close working relationship with Campton Group, Inc. its investment advisor and subsidiary.

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Market price risk

Private equity investments are not immediately sensitive to market moves. However, over the medium/long term, the valuation multiples applied to private equity will be affected by significant changes in the listed equity markets.

The Company's portfolio consists of US dollar investments, which are affected by movements in the sterling/dollar exchange rate (refer to foreign currency risk below).

At 31 March 2009, a 10% movement in the valuation of the Group's aggregate investments designated as fair value through profit or loss, would result in a 9.1% (£6,776,000) change in shareholders' funds.

The Review of investments on pages 7 to 11 provides information in respect of the investments. The method of valuing the investments is discussed in the accounting policies note on page 39.

Foreign currency risk

The Company is exposed to currency risk directly since the majority of its assets and liabilities are denominated in foreign currency and their sterling value can be significantly affected by movements in foreign exchange rates. The Company does not, nor does it intend to, hedge against foreign currency movements affecting the value of its investments.

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 2009, realised exchange gains of £713,000 (2008: gains of £120,000) and unrealised gains relating to currency and other capital items of £359,000 (2008: losses of £149,000), have been taken to the capital reserve.

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

At 31 March 2009	<i>Investment</i>	<i>Other current</i>		<i>Investment</i>	<i>Other current</i>	
	<i>portfolio*</i>	<i>Cash</i>	<i>assets</i>	<i>portfolio*</i>	<i>Cash</i>	<i>assets</i>
	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>	<i>Company</i>
	£'000	£'000	£'000	£'000	£'000	£'000
USA	67,672	6,169	16	67,672	5,908	28
UK	–	866	12	–	866	12
Canada	–	–	–	–	–	–
	67,672	7,035	28	67,672	6,774	40
<hr/>						
At 31 March 2008	<i>Investment</i>	<i>Other current</i>		<i>Investment</i>	<i>Other current</i>	
	<i>portfolio*</i>	<i>Cash</i>	<i>assets</i>	<i>portfolio*</i>	<i>Cash</i>	<i>assets</i>
	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>	<i>Company</i>
	£'000	£'000	£'000	£'000	£'000	£'000
USA	72,451	4,569	150	72,451	4,485	122
UK	–	42	129	–	42	129
Canada	15	–	–	15	–	–
	72,466	4,611	279	72,466	4,527	251

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

If the sterling/dollar exchange rate had reduced by 10% from that obtained at 31 March 2009, it would have the effect, with all other variables held constant, of increasing the equity shareholders' funds by £7,529,000 (2008: £8,052,000).

NOTES TO THE ACCOUNTS (CONTINUED)

at 31 March 2009

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Foreign currency risk – continued

If there had been an increase in the sterling/dollar exchange rate of 10% it would have the effect of decreasing the equity shareholders' funds by £6,160,000 (2008: £6,588,000).

The calculations are based on the investments held at fair value through profit or loss and the exchange rate of 1.4334 GBP: US\$ as at 31 March 2009 and these may not be representative of the year as a whole.

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 2009 and 31 March 2008, all financial liabilities were due within one year. Other financial liabilities amounted to £74,000 (2008: £126,000) resulting from operating activities, and £19,000 (2008: £8,000) from financing.

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

Managing Capital

Capital structure

The capital structure of the Group consists of cash held and shareholders' equity. The Group's equity is analysed into its various components in notes 13 and 14. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Company to operate effectively in the marketplace and sustain future development of the business. Strong realisations from the investment portfolio in recent years have led to the return of capital to shareholders. This has been achieved through the buy back of shares.

Capital constraints

The Company operates so as to qualify as a UK Investment Trust for UK tax purposes which requires that any investment does not exceed 15% of the Company's portfolio at the point of investment.

The Group's capital requirement is reviewed regularly by the Board of the Company.

20 RELATED PARTY TRANSACTIONS

There have been no related party transactions in the year to 31 March 2009, other than the transactions between the Company and its subsidiary, Campton Group, Inc. as disclosed in Note 10.

21 BUSINESS COMBINATION

Private Equity Investor PLC and Campton Group, Inc. have entered into three separate agreements: a Secured Convertible Promissory Note Agreement dated 3 November 2006; a Secured Convertible Promissory Note Agreement dated 11 December 2006; and a Secured Promissory Note Agreement dated 13 February 2007. The Company currently has a total investment of £495,343 in Campton Group, Inc. If the Company was to exercise its conversion rights then it would hold a majority stake in Campton Group, Inc.

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 of average of total assets less current liabilities.

US dollar

“\$” or “dollar”

COMPANY INFORMATION

DIRECTORS

Peter Dicks (Non-Executive Chairman)
peter@peiplc.com

Colin Kingsnorth (Non-Executive)
Rory Macnamara (Non-Executive)
David Quysner CBE (Non-Executive)
Lady Barbara Judge (Non-Executive)

SECRETARY AND REGISTERED OFFICE

Capita Sinclair Henderson Limited
Trading as Capita Financial Group –
Specialist Fund Services
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

Lloyds TSB Bank Plc
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
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA
Tel: 0871 664 0300
(calls will cost 10p per minute
plus network charges)
Overseas: 0044 208 639 3399

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	Half-year 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, twice a year 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
An Investment Company under Section 833 Companies Act 2006
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 JP Morgan Cazenove and Co Limited at 20 Moorgate, London EC2R 6DA at 10.00 am on Wednesday, 16 September 2009, for the following purposes:

Ordinary business – To propose as Ordinary Resolutions the following:

1. To adopt the accounts for the year ended 31 March 2009, together with the Reports of the Directors and Auditor.
2. To receive the Directors' remuneration report.
3. To re-elect Lady Barbara Judge a Director of the Company.
4. 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:

5. 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 Ordinary 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 5,239,556 (or if less 14.99% of the shares in issue immediately following the passing of this Resolution);
- (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 the higher of (i) 105% 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 and (ii) the higher of the price of the last independent trade and the highest current bid as stipulated by article S (1) of commission regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (No. 2233/2003);
- (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 2010 unless the authority is renewed at any other general meeting prior to such time, or 15 months from the passing of this resolution whichever is sooner; 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
31 July 2009

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

NOTES:

1. A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed they must not be appointed in respect of the same shares. To be effective, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the office of the Company's Registrar, Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time of the meeting. If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. CREST members should use the CREST electronic proxy appointment service and refer to Note 6 below in relation to the submission of a proxy appointment via CREST. The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he/she is the holder. The termination of the authority of a person to act as proxy must be notified to the Company in writing.
2. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to a Nominated Person. The rights described in that Note can only be exercised by registered members of the Company.
3. As at 30 July 2009 (being the last business day prior to the publication of this notice) the Company's issued share capital and total voting rights amounted to 34,953,675 Ordinary Shares carrying one vote each.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Register of Members of the Company as at 6.00 pm on 14 September 2009 (or in the event that the meeting is adjourned, only those shareholders registered on the Register of Members of the Company as at 6.00 pm on the day which is two days (excluding weekends and bank holidays) prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same shares:
 - a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way;
 - b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in Note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
8. In accordance with Section 319A of the Companies Act 2006, the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered. No such answer need be given if:
 - a) to do so would:
 - (i) interfere unduly with the preparation for the meeting, or
 - (ii) involve the disclosure of confidential information;
 - b) the answer has already been given on a website in the form of an answer to a question; or
 - c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the offices of JP Morgan and Co Limited, 20 Moorgate, London EC2R 6DA until the conclusion of the meeting:
 - a) Copies of the letters of appointment of the Chairman and the Non-Executive Directors of the Company.
 - b) A copy of the Articles of Association of the Company.
10. A copy of this Notice of Annual General Meeting is available on the Company's website: www.peiplc.com.

Registered in England and Wales No. 3912487.

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/(or insert name)

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 JP Morgan Cazenove and Co Limited at 20 Moorgate, London EC2R 6DA at 10.00 am on Wednesday, 16 September 2009, and at any adjournment thereof.

Signature

Date 2009

Please tick here to indicate that this proxy appointment is one of multiple appointments being made.

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

		FOR	AGAINST	VOTE WITHHELD	DISCRETIONARY
RESOLUTION 1	To adopt the accounts for the year ended 31 March 2009, together with the Reports of the Directors and Auditor.				
RESOLUTION 2	To receive the Directors’ remuneration report.				
RESOLUTION 3	To re-elect Lady Barbara Judge a Director of the Company.				
RESOLUTION 4	To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.				
RESOLUTION 5	To approve the passing of Resolution 5 authorising the Company to purchase its own shares as set out in the Notice of Annual General Meeting.				

NOTES:

1. A member may appoint a proxy of his or 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. The “Vote Withheld” option is provided to enable you to instruct the registered holder to abstain from voting. A “Vote Withheld” is not a vote in law and will not be counted in the calculation of the proportion of the votes “For” or “Against” a Resolution.
3. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline on 0871 664 0300 (calls will cost 10p per minute plus network charges) or you may photocopy this form. Please indicate in the box next to the proxy holder’s name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. 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.
5. 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.
6. If this form is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
7. To be valid, this form must be completed and deposited at the office of the Registrar of the Company by post to Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
8. CREST members should use the CREST electronic proxy appointment service and refer to Note 6 of the Notice of Annual General Meeting in relation to the submission of a proxy appointment via CREST.



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Capita Registrars
Proxies
PO Box 25
Beckenham
Kent
BR3 4BR

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