

PRIVATE EQUITY INVESTOR PLC

Annual Report
For the year ended 31 March 2011

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 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 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 any new investments. The Company proposes to make periodic returns of capital to shareholders from the return of 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 in which the Company has an existing commitment or for 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 has made further tender offers, of up to £17.5 million, in December 2008 and £12 million in February 2011, which were also fully taken up.

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 adviser. The Company has 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.

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SUMMARY OF RESULTS AND FINANCIAL HIGHLIGHTS

	<i>31 March 2011 Group</i>	<i>31 March 2010 Group</i>	<i>% change</i>
Net assets and shareholders' funds in US\$	\$102,432,000*	\$114,568,000	(10.59)*
Net assets per Ordinary Share in US\$ ("NAV")	379.31c	327.77c	15.72
Net assets and shareholders' funds	£63,902,000*	£75,528,000	(15.39)*
Net assets per Ordinary Share ("NAV")	236.63p	216.08p	9.51
Mid-market price per Ordinary Share	175.00p	114.50p	52.84
Discount to NAV	26.05%	47.01%	
Net revenue loss after taxation	£(1,210,000)	£(1,130,000)	
Net total return	£3,583,000	£790,000	
Total return per Ordinary Share	11.22p	2.26p	
Total expense ratio	2.04%	1.70%	
Exchange rate at year end (US\$/£)	1.6030	1.5169	
Number of Ordinary Shares in issue	27,004,742	34,953,675	

* Following the tender offer completed in February 2011 when £12 million was returned to Shareholders.

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 2011.

Results

The Company's Net Asset Value ("NAV") per share at 31 March 2011 was 236.63p, compared with 216.08p a year earlier, an increase of 9.5%.

The NAV per share in dollars, the currency in which the Company's investments are denominated, increased from 327.77c per share to 379.31c per share, an increase of 15.7%. The dollar exchange rate moved by 5.3% from \$1.52 at 1 April 2010 to \$1.60 at 31 March 2011.

The Company's share price increased by 52.8% during the year, from 114.50p to 175.00p. The discount at 31 March 2011 was 26.05%, down from 47.01% a year earlier.

No dividend is proposed for the period.

Distributions from Fund Investments

As at 31 March 2011 the Company held Limited Partnership interests, valued at \$82.2 million (2010: \$88.2 million) being equivalent of £51.3 million (2010: £58.2 million), in 24 venture funds ("the Funds"). PEI's year-end cash and readily realisable assets totalled \$19.9 million (2010: \$26.0 million), compared with outstanding commitments of \$10.7 million.

In the twelve months under review the Company received a significantly higher level of distributions in cash and securities from the Funds than in the previous year. The total value of distributions received was \$22.6 million compared with \$9.9 million in the previous year and \$5.5 million in 2009. Of the \$22.6 million, cash distributions amounted to \$13.1 million and stock to \$9.5 million. The largest cash distribution was \$3.4 million which came from the sale of shares in GreenPlum, Inc. an investment held by Dawntreader Ventures II, L.P.

Share Buy Backs and Tender Offer

In the first six months of the year ending March 2011 the Company purchased 2,568,765 of its own Ordinary Shares for cancellation at an average price of 121.34 pence per share. These shares were purchased at an average discount of 42.52%.

On 10 January 2011 shareholders were sent a circular informing them that PEI proposed making a further Tender Offer to purchase shares in the Company having an aggregate value at the Tender Price of up to £12 million. The offer was completed on 14 February 2011 with 5,380,168 shares being purchased for cancellation at a price of 223.0364 pence per share.

The Company has now made three Tender Offers since December 2007 returning a total of £42 million to shareholders. Following the share buy backs and tender offer there are 27,004,742 shares in issue. The Company will continue its policy of selectively buying back shares and also consider distributions as and when cash resources reach an appropriate level.

Expenses

Following the resignation of Lady Barbara Judge the Board has undertaken a review of the current Board structure and agreed that it continues to operate effectively. Therefore, an additional Director will not be appointed at this time. Observing that the ongoing return of capital to shareholders has resulted in an increase in overheads, as a percentage of assets, Mr Kingsnorth has agreed to waive his fees with effect from 1 July 2011.

CHAIRMAN'S STATEMENT (CONTINUED)

Portfolio Review

A majority of the Funds have drawn down the whole of the investment that was originally committed to them. A relatively small aggregate of \$10.7 million remains to be drawn down.

As at 31 March 2011 the Company held investments, through the Funds, in 477 private (2010: 527) and 52 public (2010: 50) companies. Of the 24 Funds that make up the portfolio, 8 reported a gain in value over the period (2010: 11). During the year, the Funds made 31 new investments (2010: 45) and 169 follow-on investments (2010: 197) resulting in draw downs totalling \$2.8 million (2010: \$2.8 million). A total of 155 investments in the portfolio were written up (2010: 175), 219 were written down (2010: 215) and 102 were written off (2010: 108).

The twelve months under review saw the Initial Public Offerings ("IPOs") of nine (2010: four) underlying portfolio companies. These were:

Mitel Networks (Francisco Partners II): a global provider of business communications and collaboration software and services for a range of organisations.

Reach Local (VantagePoint IV & 2006): a California-based provider of online advertising solutions for local businesses.

HiSoft (DFJ ePlanet): a Beijing and Dailian, China-based IT outsourcing company.

Motricity (NEA 10): a Washington-based provider of mobile marketplace management solutions.

Tesla Motors (VantagePoint IV): a California-based high-performance electric car manufacturer.

NetSpend Holdings (Oak X): a Texas-based provider of re-loadable prepaid debit cards and related financial services.

Gain Capital (VantagePoint IV): a New Jersey-based global provider of online trading services.

Epocrates (Sprout IX): a California-based provider of clinical information and support tools to healthcare professionals.

Neophotonics (Bay III, DFJ VII & Oak X): a California-based optical components company.

Campton Group Inc.

Campton, the Company's advisor, continues with its efforts to develop its fund-of-funds management and advisory business.

Market Overview

It is helpful to view the Company's performance and situation against the background of the US venture capital market-place.

In calendar 2010, fundraising for the venture capital industry again proved difficult. At \$12.3 billion (157 funds), this was the fourth consecutive year of decline in venture capital fundraising*. There are some early signs, however, that this trend may be in the process of reversing. In the first quarter of 2011, venture capital funds raised more than \$7 billion (36 funds), the strongest quarter for US venture capital fundraising since the third quarter of 2008 and the best annual start for fundraising since 2001.

The investing scene also saw an upturn in activity with venture capital funds investing \$21.8 billion in 3,277 deals in 2010, an increase of 19% in value and a 12% rise in the number of deals compared with 2009. The rise in venture investments in 2010 represents the first time the annual investment level has increased since 2007. Double-digit increases in investments in 2010 were spread across almost every industry with the exception of Life Sciences (Biotech and Medical Devices combined). The Software industry was the single largest beneficiary for venture investment in 2010, with \$4.0 billion invested in 835 deals.

CHAIRMAN'S STATEMENT (CONTINUED)

Market Overview *(continued)*

The Clean Technology sector saw a significant increase with \$3.7 billion (2009: \$2.1 billion) being invested in 267 deals (2009: 195 deals) – an increase in dollar terms of 76% and 37% in deal volume. Investment in dollar terms increased across every stage of development category.

	<i>Amount invested (\$ billions)</i>	<i>Amount invested (\$ billions)</i>	<i>% increase/ (decrease)</i>	<i>No. of deals</i>	<i>No. of deals</i>	<i>% increase/ (decrease)</i>
	2010	2009		2010	2009	
Biotech	3.7	3.5	6	460	426	8
Medical Devices	2.3	2.5	(8)	324	324	5
Software	4	3.3	21	835	690	21
Clean Technology	3.7	2.1	76	267	195	37
Internet Specific	3.7	2.9	28	729	638	14

This improvement in sentiment appears to have continued in the first quarter of 2011, with \$5.9 billion invested, up from the fourth quarter figure of \$5.6 billion, although the number of completed deals was lower. In dollar terms, however, it is the first time in four years that the first quarter investment exceeded the amount invested in the previous fourth quarter.

Over 400 venture backed acquisitions were completed in the year, the largest in number terms for M&A exits in this sector since records began in 1985. Many of the acquisitions were made by technology based companies, reflecting the strong balance sheets of many technology stocks in this sector. This trend continued with a further 109 venture-backed M&A deals reported during the first quarter of 2011, the top 45 of which had an aggregate deal value of \$5.9 billion.

The venture backed Initial Public Offering market also had a good year, its best since 2007, with a total of 72 IPOs. In the first quarter, a further 14 venture backed IPOs came to market making it the strongest opening three month period for venture backed IPOs since 2007.

Outlook

The Company is encouraged by the increase in distributions it has received from funds during the past year and the positive reports from the NVCA for the first quarter of 2011 with reference to the improvement in the IPO and M&A markets.

IPO activity for the first five months of 2011 is in line with 2010 year-to-date levels, some 20 to date compared with 18 over the same period last year. Recently, there have been a number of high profile social-networking Internet pricings as well as successful IPO's by LinkedIn and HomeAway and filings by Groupon and Zynga. The strong market performance of LinkedIn and HomeAway indicates a healthy appetite for social media and similar companies, a number of which are held in the Funds, including Facebook and Twitter who are rumoured to be considering IPO's.

If the upturn in exits continues, the Company's receipt of distributions is likely to remain at a healthy level. We remain optimistic about the quality of PEI's underlying portfolio companies, a number of which are relatively large and mature. We therefore believe that significant value remains to be realised although, as always, this will be dependent on market conditions.

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

PETER DICKS
Chairman
 28 July 2011

REVIEW OF INVESTMENTS

Summary of Individual Venture Capital Funds Investments:

<i>Name</i>	<i>Vintage</i>	<i>Fund size US\$(m)</i>	<i>PEI total commitment US\$</i>
APV Technology Partners III	1999	109	5,000,000
Bay III	2000	179	5,000,000
Crescendo IV	2000	574	10,000,000
Dawntreader Fund II	2000	200	30,000,000
Draper Fisher Jurvetson ePlanet Ventures	1999	637	30,000,000
Draper Fisher Jurvetson Fund VI	1999	379	2,000,000
Draper Fisher Jurvetson Fund VII	2000	643	5,000,000
Draper Fisher Jurvetson Gotham Venture Fund	1999	84	3,000,000
Draper Fisher Jurvetson Gotham Venture Fund Expansion Unit	2010	9	300,000
Focus Ventures II	2000	442	30,000,000
Francisco Partners II	2006	2,300	5,000,000
Institutional Venture Partners XII	2007	606	5,000,000
New Enterprise Associates 9	1999	880	5,000,000
New Enterprise Associates 10	2000	2,326	10,000,000
New Enterprise Associates 12	2006	2,521	3,000,000
Oak investment Partners X	2000	1,616	10,000,000
Sprout Capital IX	2000	1,083	3,750,000
Technology Crossover Ventures IV	2000	1,642	25,000,000
Vanguard VII	2000	210	3,000,000
VantagePoint Venture Partners 2006	2006	1,003	5,000,000
VantagePoint Venture Partners IV	2000	1,399	10,000,000
Vector Capital IV	2007	1,224	4,000,000
Zone Venture Fund II	1999	99	10,000,000
Zone Venture Fund II Annex	2004	4	400,000
Total Unquoted Venture Capital Funds			<u>219,450,000</u>

Portfolio Summary

	31 March 2011 US\$	31 March 2010 US\$	31 March 2009 US\$
Cumulative total distributions to year	147,605,000	124,955,000	115,011,000
Net asset value	102,432,000*	114,568,000	107,101,000
Net asset value per Ordinary Share	379.31c	327.77c	306.41c

* Following the tender offer completed in February 2011 when £12 million was returned to Shareholders.

Review of Individual Venture Capital Funds

APV Technology Partners III

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

Total committed capital	\$109.1m
Private Equity Investor commitment	\$5.0m

REVIEW OF INVESTMENTS (CONTINUED)

Bay III (www.baypartners.com)

Bay Partners has been active in early stage technology investment since 1976, funding over 250 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 substantial companies.

Bay III has invested 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	\$178.5m
Private Equity Investor commitment	\$5.0m

Crescendo IV (www.crescendoventures.com)

Crescendo is an internationally focused venture capital firm with headquarters in Palo Alto, California. 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	\$573.5m
Private Equity Investor commitment	\$10.0m

Dawntreader Fund II (www.dtventures.com)

Formed in 1998, Dawntreader Ventures is a New York-based venture capital firm, managing \$270 million, focused primarily on early stage information technology companies investing in software, internet and digital media companies.

Total committed capital	\$200.0m
Private Equity Investor commitment	\$30.0m

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 has focused on a broad range of interests in the information technology, life sciences and medical device sectors. The company has focused 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	\$637.5m
Private Equity Investor commitment	\$30.0m

REVIEW OF INVESTMENTS (CONTINUED)

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 located in the United States, China and India. 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)	\$378.8m
Private Equity Investor commitment (Fund VI)	\$2.0m
Total committed capital (Fund VII)	\$643.1m
Private Equity Investor commitment (Fund VII)	\$5.0m

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

This fund is a DFJ affiliate fund, based in New York City, which has invested 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	\$84.0m
Private Equity Investor commitment*	\$3.0m

Focus Ventures II (www.focusventures.com)

Focus Ventures, located in Palo Alto, California, was founded in 1997 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 \$3–8 million range, with Focus Ventures serving as lead investor in approximately three-quarters of the rounds in which they participate.

Total committed capital	\$442.5m
Private Equity Investor commitment	\$30.0m

Francisco Partners II (www.franciscopartners.com)

Francisco Partners, based in San Francisco, California, have approximately \$7 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 \$25 million to \$500 million. Francisco Partners are active across a broad range of technology sectors including semiconductors and capital equipment, electronics components, systems and manufacturing, IT services and business process outsourcing (“BPO”), communications, security, and enterprise application and infrastructure software.

Total committed capital	\$2,300.3m
Private Equity Investor commitment	\$5.0m

* Does not include the Companies commitment to the Expansion Unit of \$300,000.

REVIEW OF INVESTMENTS (CONTINUED)

Institutional Venture Partners XII (www.ivp.com)

With more than \$3 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 30-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	\$606.1m
Private Equity Investor commitment	\$5.0m

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 \$11 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 650 companies, of which more than 165 have gone public and more than 265 have successfully merged or been acquired.

Total committed capital (NEA 9)	\$880.3m
Private Equity Investor commitment (NEA 9)	\$5.0m

Total committed capital (NEA 10)	\$2,325.6m
Private Equity Investor commitment (NEA 10)	\$10.0m

Total committed capital (NEA 12)	\$2,521.0m
Private Equity Investor commitment (NEA 12)	\$3.0m

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. In addition to the core investment team, Oak interacts with more than 200 entrepreneurs and other industry experts who are limited partners of the Oak Affiliated Funds. This extensive network of professionals has been a central factor in Oak’s ability to develop and manage multiple venture portfolios. For over 30 years, Oak has achieved a strong track record funding more than 495 companies at various points in their lifecycle. Oak seeks ownership levels of at least 20% and in some cases greater than 50%. Investments will typically range from \$25–150 million.

Total committed capital	\$1,616.2m
Private Equity Investor commitment	\$10.0m

REVIEW OF INVESTMENTS (CONTINUED)

Sprout Capital IX (“Sprout”) (www.sproutgroup.com)

Originally founded in 1969, Sprout has invested 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 has invested in companies at all stages from start-up through to buyout.

Total committed capital	\$1,082.7m
Private Equity Investor commitment	\$3.8m

Technology Crossover Ventures IV (www.tcv.com)

Technology Crossover Ventures (“TCV”) has invested in expansion and late stage companies in a broad range of sectors including software, communications, infrastructure, services and semiconductors. The group has also invested 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	\$1,642.3m
Private Equity Investor commitment	\$25.0m

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 \$350 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	\$209.6m
Private Equity Investor commitment	\$3.0m

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

Since 1996 VantagePoint has raised \$4.5 billion of committed capital and is an active multi-stage investor with offices in San Bruno, California; 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 has since committed \$1 billion to this opportunity. The fund also has one of the largest CleanTech teams including experts in the field of energy, lighting, water, materials and transportation. The investment focus falls into four key areas: CleanTech (the application of technology to energy, water and materials), healthcare, information technology and Asia.

Total committed capital (VPVP Fund IV)	\$1,399.4m
Private Equity Investor commitment	\$10.0m
Total committed capital (VPVP 2006 Fund)	\$1,002.6m
Private Equity Investor commitment	\$5.0m

REVIEW OF INVESTMENTS (CONTINUED)

Vector Capital IV (“Vector”) (www.vectorcapital.com)

Vector Capital, based in San Francisco, is a specialist investor in small-cap buy-outs, restructurings and spin-outs in the technology sector. Vector received substantial press coverage for its highly successful take-private of Corel Corporation, the maker of WordPerfect software. Vector Capital was founded in 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. Vector invests in technology companies that have at least \$30 million in revenue, strong customer bases and high gross profit margins.

Total committed capital	\$1,224.5m
Private Equity Investor commitment	\$4.0m

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

Zone, based in Los Angeles, has focused 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	\$98.7m
Private Equity Investor commitment	\$10.0m

Portfolio Summary

Total commitment at 31 March 2011	\$219,450,000
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** Does not include the Company’s commitment to the Annex Fund of \$400,000.

INVESTMENT PORTFOLIO

as at 31 March 2011

	<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	2011	2010
<i>Unquoted Venture Capital Funds</i>					
APV Technology Partners III	5,000	321	201	0.3	0.3
Bay III	5,000	64	40	0.1	0.1
Crescendo IV	10,000	2,436	1,520	2.4	3.2
Dawntreader Fund II	30,000	10,551	6,582	10.3	12.1
Draper Fisher Jurvetson ePlanet Ventures	30,000	12,300	7,674	12.0	9.7
Draper Fisher Jurvetson Fund VI	2,000	1,129	704	1.1	1.0
Draper Fisher Jurvetson Fund VII	5,000	3,436	2,144	3.4	3.1
Draper Fisher Jurvetson Gotham Venture Fund	3,000	1,340	836	1.3	1.7
Draper Fisher Jurvetson Gotham Venture Fund Expansion Unit	300	174	109	0.2	0.0
Focus Ventures II	30,000	5,382	3,357	5.2	6.0
Francisco Partners II	5,000	4,582	2,859	4.5	3.2
Institutional Venture Partners XII	5,000	7,606	4,745	7.4	3.6
New Enterprise Associates 9	5,000	1,370	855	1.3	1.1
New Enterprise Associates 10	10,000	3,875	2,417	3.8	3.5
New Enterprise Associates 12	3,000	2,745	1,712	2.7	1.8
Oak investment Partners X	10,000	5,336	3,329	5.2	5.0
Sprout Capital IX	3,750	1,099	686	1.1	1.3
Technology Crossover Ventures IV	25,000	6,384	3,983	6.2	9.0
Vanguard VII	3,000	746	465	0.7	0.8
VantagePoint Venture Partners 2006	5,000	2,652	1,654	2.6	7.0
VantagePoint Venture Partners IV	10,000	6,002	3,744	5.9	1.6
Vector Capital IV	4,000	875	546	0.8	0.5
Zone Venture Fund II	10,000	1,639	1,023	1.6	1.3
Zone Venture Fund II Annex	400	182	113	0.2	0.1
<i>Total Unquoted Venture Capital Funds</i>	219,450	82,226	51,298	80.3	77.0
<i>Open-ended Investment Funds</i>					
Global Treasury Funds Plc	–	505	315	0.5	7.5
JP Morgan USD Liquidity Distribution Fund	–	4,500	2,807	4.4	4.8
Merrill Lynch Institutional USD Fund	–	5,500	3,431	5.4	4.8
<i>Total Open-ended Investment Funds</i>	–	10,505	6,553	10.3	17.1
<i>Other Investments held directly by the Company</i>					
<i>Common Stock</i>					
Motricity Inc	–	202	126	0.2	–
<i>Total Other Investments</i>	–	202	126	0.2	–
Total Investments	219,450	92,933	57,977	90.8	94.1
Other non-current assets		6	4	–	–
Net current assets		9,491	5,921	9.2	5.9
Net assets		102,430	63,902	100.0	100.0

DIRECTORS AND SECRETARY

At the date of this report 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 68. 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 VCT plc, 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 47. 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 29.04% of the Company.

Rory Macnamara (appointed 22 October 2004), (Non-Executive Director) is aged 56. Having qualified as an accountant with PriceWaterhouse, he 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, Carpathian Plc and Essenden PLC and a director of Dunedin Income Growth Investment Trust PLC, Augean PLC, Mears Group Plc and Sportingbet Plc and holds various other company directorships.

David Quysner CBE (appointed 22 October 2004), (Non-Executive Director) is aged 64. He has spent more than 40 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 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 2011.

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. The Business Review has been prepared in accordance with the Companies Act 2006 and should be read in conjunction with the Chairman's Statement on pages 4 to 6.

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 12.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 32. The Directors are not recommending the payment of a dividend for the year ended 31 March 2011.

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 adviser 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 with Company number 3912487. 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 1158 of the Corporation Tax Act 2010 (“CTA”) for the accounting year ended 31 March 2010. 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 ("NAV") per Ordinary Share at 31 March 2011 was 236.63p (2010: 216.08p).

Venture Capital Funds are stated at Directors' valuation which is normally based on 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. In the case of marketable securities, the valuations are typically based on a mark to market basis. In the case of non-listed securities Venture Capital Funds in the US value their portfolios in accordance with Financial Accounting Standards Board's FAS 157 which is broadly comparable to the International Private Equity and Venture Capital ("IPEVC") guidelines.

Key performance indicators

The Board reviews the performance of the LP investments at their meetings and receive monthly update reports from the investment advisor. Total expense ratio and discount have been selected as the most relevant KPI's to measure the performance of the Company.

Total expense ratio

The Directors maintain an objective to run the Group efficiently and monitor its operational expenses on an ongoing basis. The total expense ratio for the year ended 31 March 2011 was 2.04% (2010: 1.70%). As the Company returns cash to shareholders the percentage of expenses to net assets is expected to change.

Discount

The Directors regularly monitor the level of discount at which the Group's shares are trading. On 31 March 2011 the Group's share price stood at a discount of 26.05% to NAV, compared to 47.01% 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.

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 23 to 25.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 18 to the accounts on pages 50 to 55.

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 continues to hold distributed shares, in an effort to obtain a more advantageous selling price or otherwise for example where there are restrictions on sale. However, this practice will also expose the Company to market risk. The details of the Company's investment portfolio given on page 13 show that the Company held one publicly quoted investment, Motricity Inc. which amounted to 0.2% of the net assets as at 31 March 2011.

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 Funds may make poor investments. The Company has sought to mitigate this risk through the diversification of its investment across a range of LP venture funds (currently 24) 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 2006 ("the Companies Act"), the CTA and the Listing Rules of the Financial Services Authority ("FSA"). The Company has noted the recommendations of the Combined Code on Corporate Governance, its replacement the UK Corporate Governance Code and the AIC Corporate Governance and the relevant AIC Guide for Investment Companies. Its statement of compliance appears on page 20. A breach of CTA 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 Funds in which the Company invests. The Company receives valuations on a quarterly basis and 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 markets to provide an exit route from its investments held within the Funds. Exits are achieved through trade sales and the sale of stocks following an IPO of an underlying company. In periods of uncertain markets, exits can be delayed and the Company may see a decrease in distributions received. The Board monitors the IPO markets and bases management decisions only on actual distributions received.

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.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 levels that will fluctuate reflecting the M&A and IPO 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 commitments to new Funds. 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.

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.

Capital Structure and 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. On 14 February, the Company purchased 5,380,168 shares in a tender offer at a price of 223.0364p per share. All shares purchased were cancelled. No shares were held in, or issued from Treasury during the year.

At the year-end, and as at the date of this report, the Company had issued share capital of 27,004,742 Ordinary Shares of 0.01p each. Laxey Partners Limited have agreed that in the event that repurchase of shares increases their percentage shareholding in the Company to over 30% they would restrict their voting at any general meeting to 30%. Other holders of Ordinary Shares have unrestricted voting rights at all general meetings of the Company, each share carrying one vote in the event of a poll.

Campton Group, Inc.

The Company has appointed Campton Group, Inc. ("Campton") a Californian registered corporation based in San Francisco as its investment advisor. The Company has 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. 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.

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 and Campton attempt to conform to best practice on environmental and other social responsibility issues. The Company has one employee, the office manager of its London office and Campton has three employees based in San Francisco.

Stewardship

The Company has noted the principles of the Stewardship Code. Following its investment objectives it does not often hold stocks directly and therefore does not have opportunities to vote at General Meetings. Through its Investment Advisor, Campton, the Company maintains an open dialogue with the Funds and participates in any meetings and decisions when these occur.

Financial instruments

The policy and practice of the Company with regard to financial instruments is set out in note 18 of the Notes to the Accounts.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Management arrangements

Throughout the year and until Lady Judge's resignation the Board comprised five Non-Executive Directors. The Directors 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 Campton. 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. 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 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

Biographies of the Directors in office as at the date of this report are shown on page 14.

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 2011</i>	<i>1 April 2010</i>
Peter Dicks	28,616	34,538
Colin Kingsnorth	–	–
Rory Macnamara	–	–
David Quysner	–	–
Lady Barbara Judge (resigned 30 April 2011)	17,432	21,039

For the Directors in office 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 interest in the Company's shares is set out below.

Substantial share interests

At 28 July 2011 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	7,843,474	–	7,843,474	29.04
QVT Financial LP	3,397,569	3,776,567	7,174,136	26.57
Deutsche Bank AG	4,589,490	–	4,589,490	17.00
Weiss Asset management	1,618,325	–	1,618,325	5.99
Aviva Plc and its subsidiaries	1,141,357	–	1,141,357	4.23

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Information about securities carrying voting rights

The following information is disclosed in accordance with the Large and Medium-sized Companies and Groups (Accounting and Reports) Resolutions 2008 and DTR 7.2.6 of the FSA's Disclosure and Transparency Rules.

- The Company's capital structure and voting rights are summarised on page 18.
- 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 21.
- 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 26.
- 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 27.

Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

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, UK Corporate Governance Code formerly the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to PEI. A copy of the AIC Code and AIC Guide are available on the AIC web site www.theaic.co.uk, a copy of the UK Corporate Governance Code can be obtained at: www.frc.org.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance 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 UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and in the Preamble to the UK Corporate Governance 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.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Board of Directors

Throughout the year under review the Board comprised five Non-Executive Directors, Peter Dicks (Chairman) Lady Barbara Judge, Rory Macnamara, David Quysner and Colin Kingsnorth. Following the year end Lady Judge resigned from the Board on 30 April 2011. Biographical details of the current Board are shown on page 14.

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 Colin Kingsnorth by virtue of his connection to Laxey Partners, a major shareholder.

The Chairman 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 on Foresight 2 VCT plc and with Rory Macnamara on Mears Plc and Sportingbet Plc neither of which is deemed to affect the independent judgement of the relevant parties. He has no significant business commitments other than those disclosed in his biography on page 14. The Board does not deem that his length of service, which is more than nine years, impacts his independence and agrees that he continues to act in the best interests of the Company and its shareholders.

Each of the Directors in office at 31 March 2011 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 including consideration of Directors' independence. 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 that 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. Mr Dicks was first elected a Director in 2002 and therefore will offer himself for annual re-election in accordance with the AIC Code. Messrs Kingsnorth and Quysner are retiring and seeking re-election by rotation in accordance with the Articles of Association.

The Board recommends the re-appointment of Peter Dicks, Colin Kingsnorth and David Quysner. This recommendation is based on the following:

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

Colin Kingsnorth has extensive experience in fund management and is also able to inform the Board as to the interests of its principal shareholder.

David Quysner has wide experience of Venture Capital Investment in the UK and USA and of serving on boards of public companies, including investment trusts.

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 2011, is set out below:

	<i>Board</i>	<i>Audit</i>	<i>Remuneration</i>	<i>Nomination</i>	<i>Management Engagement</i>
Peter Dicks	7 (7)	2 (2)	1 (1)	1 (1)	1 (1)
Lady Barbara Judge	2 (7)	N/A	N/A	N/A	N/A
Colin Kingsnorth	5 (7)	N/A	N/A	N/A	N/A
Rory Macnamara	7 (7)	2 (2)	1 (1)	1 (1)	1 (1)
David Quysner	7 (7)	2 (2)	1 (1)	1 (1)	1 (1)

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 the 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 regarding the drafting of agendas to fully address 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, 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. There were no qualifying third party indemnifications in force at any time during the year.

Conflict of interest

The Articles of Association 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 Board 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 on an annual basis prior to the commencement of the audit. When considering this, the Committee considers: performance, technical expertise, resources and fees. The Committee has considered the independence and objectivity of the Auditor. On this basis the Committee has recommended their re-appointment as Auditor. 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, all members of the Committee are deemed to possess relevant financial experience. 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 2011.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

The Committee has agreed that the £12,000 fees received by the Auditor in respect of the tender offer did not affect their independence and has advised the Board that the Auditor has fulfilled its obligations to the Company.

Nomination Committee

A Nomination Committee has been established which comprises Peter Dicks, David Quysner and Rory Macnamara as Chairman. 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 2011.

Remuneration Committee

The Remuneration Committee comprises Peter Dicks, David Quysner and Rory Macnamara as Chairman. The Directors' remuneration report on pages 27 and 28 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 2011.

Management Engagement Committee

A Management Engagement Committee chaired by Rory Macnamara reviews 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

In light of the Company's Investment Objective and Policy the Directors have reviewed the principal risks and uncertainties facing the Company (as stated in the Directors' Report and Business Review on pages 16 and 17), together with the Company's commitments and contingent liabilities (note 17, page 50), analysis of financial assets and liabilities (note 18, pages 50 to 55) and the Company's cash and readily realisable investments required to meet its investment obligations and expenditure. After due consideration, the Directors are of the opinion that the Company has adequate resources to meet all outstanding commitments and to continue in operational existence for the foreseeable future. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the Annual Report.

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 15 July 2011. Key procedures established with a view to providing effective financial control have been in place for the full financial year and up to the date the accounts were approved.

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

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

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 of operating the relevant controls.

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

- corporate strategy;
- published information 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 the Company's legal advisor.
- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

- 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.

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 87 Wimpole Street, 3rd Floor, London W1G 9RL or through the Company Secretary, Capita Sinclair Henderson Limited at the address on page 57.

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 and to continue this policy for the future.

As at 31 March 2011 there were no trade creditors (2010: none).

DIRECTORS' REPORT AND BUSINESS REVIEW (CONTINUED)

Annual General Meeting

The Notice of Annual General Meeting on page 58 sets out both the Ordinary Business and the Special Business to be conducted at the meeting.

There is one item of Special Business. Resolution 7, a Special Resolution, which 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 purchased 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 purchased. 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 to purchase up to 4,871,886 shares granted at last year's Annual General Meeting was not utilised during the year. The shares purchase in the tender offer were under a separate authority granted at the General Meeting held on 9 February 2011.

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 the Auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 14. 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

28 July 2011

DIRECTORS' REMUNERATION REPORT

The Board has prepared this Report in accordance with the Companies Act 2006 as it 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 30 and 31.

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 Remuneration 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. Directors' remuneration is reviewed independently to that of the Group's employees. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits as it is not considered appropriate for the Directors of the Company at this time. It is the Committee's intention to continue this 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. With effect from 1 July 2011, Mr Kingsnorth agreed to waive his fees. Lady Judge resigned with effect from 30 April 2011.

The Directors are entitled to claim out of pocket expenses incurred in carrying out their duties. The letters of appointment include the fixed fees in the table below.

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)

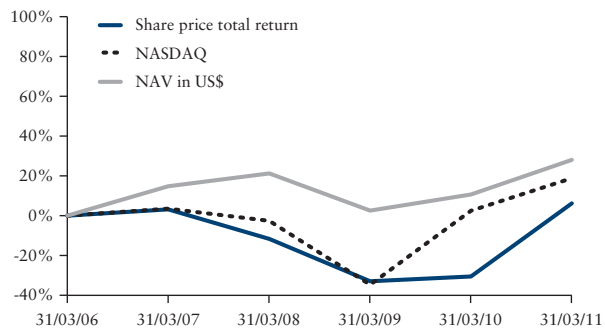
The remuneration of the Directors who served during the year ended 31 March 2011 was as follows:

	<i>2011</i>	<i>2010</i>
	<i>Fees</i>	<i>Fees</i>
	<i>£'000</i>	<i>£'000</i>
Peter Dicks	40	40
Colin Kingsnorth	20	20
Rory Macnamara	20	20
David Quysner	20	20
Lady Barbara Judge*	20	20
	<hr/>	<hr/>
	120	120

* Fees relating to Lady Judge were 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 27 and 28 was approved by the Board of Directors on 28 July 2011.

PETER DICKS
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

Under Company law the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 Group's financial position and financial performance;
- state that the Group has complied with International Financial Reporting Standards subject to any material departures disclosed and explained in the financial statements; and
- make judgments and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulations. The Directors are also responsible for ensuring that the Directors' Report is prepared in accordance with the Company Law in the United Kingdom and that the Annual Report includes information required by the Listing Rules of the Financial Services Authority. They are also responsible for safeguarding the assets of the Group 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 IFRS 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

28 July 2011

REPORT OF THE INDEPENDENT AUDITOR

to the members of Private Equity Investor PLC

We have audited the financial statements of Private Equity Investor PLC for the year ended 31 March 2011 which comprise, the consolidated statement of comprehensive income, 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 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Accounts on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

to the members of Private Equity Investor PLC

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

JULIAN YOUNG (SENIOR STATUTORY AUDITOR)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

28 July 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Notes	<i>Year ended</i> 31 March 2011			<i>Year ended</i> 31 March 2010		
		<i>Revenue</i> <i>return</i> £'000	<i>Capital</i> <i>return</i> £'000	<i>Total</i> £'000	<i>Revenue</i> <i>return</i> £'000	<i>Capital</i> <i>return</i> £'000	<i>Total</i> £'000
Gains on investments at fair value through profit and loss	9	–	5,122	5,122	–	2,403	2,403
Exchange loss on other items	9	–	(153)	(153)	–	(483)	(483)
		<u>–</u>	<u>4,969</u>	<u>4,969</u>	<u>–</u>	<u>1,920</u>	<u>1,920</u>
Operating income							
Investment income		27	–	27	24	–	24
Other operating income		10	–	10	4	–	4
Total operating income	2	<u>37</u>	<u>–</u>	<u>37</u>	<u>28</u>	<u>–</u>	<u>28</u>
Operating expenses							
Administrative expenses	3	(1,247)	(176)	(1,423)	(1,158)	–	(1,158)
Operating (loss)/profit		<u>(1,210)</u>	<u>4,793</u>	<u>3,583</u>	<u>(1,130)</u>	<u>1,920</u>	<u>790</u>
(Loss)/profit before tax		(1,210)	4,793	3,583	(1,130)	1,920	790
Tax	5	–	–	–	–	–	–
(Loss)/profit after taxation		<u>(1,210)</u>	<u>4,793</u>	<u>3,583</u>	<u>(1,130)</u>	<u>1,920</u>	<u>790</u>
Other comprehensive income							
– exchange differences on translation of foreign operations		–	14	14	–	17	17
Total comprehensive income for the year		<u>(1,210)</u>	<u>4,807</u>	<u>3,597</u>	<u>(1,130)</u>	<u>1,937</u>	<u>807</u>
Attributable to:							
Equity holders of the parent		<u>(1,210)</u>	<u>4,807</u>	<u>3,597</u>	<u>(1,130)</u>	<u>1,937</u>	<u>807</u>
Earning per share							
From continuing activities							
Basic and diluted	8	<u>(3.79)p</u>	<u>15.01p</u>	<u>11.22p</u>	<u>(3.23)p</u>	<u>5.49p</u>	<u>2.26p</u>

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. The Parent Company has elected to take the exemption in Section 408 of the Companies Act 2006, not to present the Parent Company's Statement of Comprehensive Income.

The notes on pages 39 to 55 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	<i>Share capital</i> £'000	<i>Special redemption reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Capital reserve</i> £'000	<i>Currency translation reserve</i> £'000	<i>Retained earnings</i> £'000	<i>Total</i> £'000
Year ended 31 March 2011							
As at 1 April 2010	3	79,072	2	(1,928)	4	(1,625)	75,528
Total comprehensive income for the year	–	–	–	4,793	14	(1,210)	3,597
Share buybacks/tender offer	–	(15,223)	–	–	–	–	(15,223)
As at 31 March 2011	3	63,849	2	2,865	18	(2,835)	63,902
Year ended 31 March 2010							
As at 1 April 2009	3	79,072	2	(3,848)	(13)	(495)	74,721
Total comprehensive income for the year	–	–	–	1,920	17	(1,130)	807
Share buybacks/tender offer	–	–	–	–	–	–	–
As at 31 March 2010	3	79,072	2	(1,928)	4	(1,625)	75,528

The notes on pages 39 to 55 form part of these accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	<i>Share capital</i>	<i>Special redemption reserve</i>	<i>Capital reserve</i>	<i>Retained earnings</i>	<i>Total</i>	
	£'000	£'000	£'000	£'000	£'000	
Year ended 31 March 2011						
As at 1 April 2010	3	79,072	2	(1,928)	(1,457)	75,692
Total comprehensive Income for the year	–	–	–	4,790	(1,070)	3,720
Share buybacks/tender offer	–	(15,223)	–	–	–	(15,223)
As at 31 March 2011	3	63,849	2	2,862	(2,527)	64,189
Year ended 31 March 2010						
As at 1 April 2009	3	79,072	2	(3,848)	(251)	74,978
Total comprehensive Income for the year	–	–	–	1,920	(1,206)	714
Share buybacks/tender offer	–	–	–	–	–	–
As at 31 March 2010	3	79,072	2	(1,928)	(1,457)	75,692

The notes on pages 39 to 55 form part of these accounts.

CONSOLIDATED BALANCE SHEET

as at 31 March 2011

		31 March 2011 £'000	31 March 2010 £'000
Non-current assets			
Investments at fair value through profit or loss	9	57,977	71,070
Property, plant and equipment		4	5
Current assets			
Trade and other receivables	11	73	33
Cash and cash equivalents	15	6,140	4,612
		6,213	4,645
Total assets		64,194	75,720
Current liabilities			
Trade and other payables	12	292	192
Net assets		63,902	75,528
Capital and reserves			
Share capital	13	3	3
Special reserve	14	63,849	79,072
Capital redemption reserve	14	2	2
Capital reserve	14	2,865	(1,928)
Currency translation reserve	14	18	4
Retained earnings	14	(2,835)	(1,625)
Shareholders' funds		63,902	75,528
Total equity		63,902	75,528
Net asset value per ordinary share	16	236.63p	216.08p

The Group's financial statements were approved by the Board of Directors and were authorised for issue on 28 July 2011 and were signed on its behalf by:

PETER DICKS
Chairman

Company Registered Number: 3912487

The notes on pages 39 to 55 form part of these accounts.

COMPANY BALANCE SHEET

as at 31 March 2011

		<i>31 March</i> <i>2011</i> <i>£'000</i>	<i>31 March</i> <i>2010</i> <i>£'000</i>
Non-current assets			
Investments at fair value through profit or loss	9	57,977	71,070
Investment in subsidiary	10	518	514
Current assets			
Trade and other receivables	11	62	24
Amount due from subsidiary	11	158	33
Cash and cash equivalents	15	5,710	4,211
		5,930	4,268
Total assets		64,425	75,852
Current liabilities			
Trade and other payables	12	236	160
Net assets		64,189	75,692
Capital and reserves			
Share capital	13	3	3
Special reserve	14	63,849	79,072
Capital redemption reserve	14	2	2
Capital reserve	14	2,862	(1,928)
Retained earnings	14	(2,527)	(1,457)
Shareholders' funds		64,189	75,692
Total equity		64,189	75,692
Net asset value per ordinary share	16	237.70p	216.55p

The Company's financial statements were approved by the Board of Directors and were authorised for issue on 28 July 2011 and were signed on its behalf by:

PETER DICKS
Chairman

The notes on pages 39 to 55 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2011

	<i>Year ended 31 March 2011 £'000</i>	<i>Year ended 31 March 2010 £'000</i>
Cash flows from operating activities		
Consolidated net return before tax and interest received	3,546	766
Adjustments to reconcile net return before tax to net cash flows from operating activities:		
Gains on investments	(5,122)	(2,403)
Exchange losses	240	439
Costs related to share buybacks	18	–
Increase in trade and other payables	100	101
Increase in trade and other receivables	(4)	(5)
Interest received	37	23
Purchase of investments	(5,141)	(7,470)
Sale of investments	15,829	2,242
Cash distributions	7,491	4,323
	16,994	(1,984)
Net cash flows generated from operating activities		
Investing activities		
Purchase of property, plant and equipment	(2)	(2)
	(2)	(2)
Net cash used in investing activities		
Financing		
Ordinary Shares purchased	(15,223)	(19)
Costs related to share buybacks	(18)	–
	(15,241)	(19)
Net cash used in financing activities		
Net increase in cash and cash equivalents	1,751	(2,005)
Cash and cash equivalents at beginning of year	4,612	7,035
Effect of foreign exchange rates on cash and cash equivalents	(223)	(418)
	6,140	4,612
Cash and cash equivalents at end of year	6,140	4,612

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The notes on pages 39 to 55 form part of these accounts.

COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2011

	<i>Year ended</i> <i>31 March</i> <i>2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2010</i> <i>£'000</i>
Cash flows from operating activities		
Company net return before tax and interest received	3,683	690
Adjustments to reconcile net return before tax to net cash flows from operating activities:		
Gains on investments	(5,122)	(2,404)
Exchange losses	240	439
Costs relating to share buybacks	18	–
Increase in trade and other payables	76	86
Increase in trade and other receivables	(126)	(17)
Interest received	37	24
Purchase of investments	(5,141)	(7,470)
Sale of investments	15,829	2,242
Cash distributions	7,491	4,323
	16,985	(2,087)
Net cash flows generated from operating activities		
Investing activities		
Investment in subsidiary	(32)	(43)
	(32)	(43)
Net cash used in investing activities		
Financing		
Ordinary Shares purchased	(15,223)	(19)
Costs related to share buybacks	(18)	–
	(15,241)	(19)
Net cash used in financing activities		
Net increase in cash and cash equivalents	1,712	(2,149)
Cash and cash equivalents at beginning of year	4,211	6,774
Effect of foreign exchange rates on cash and cash equivalents	(213)	(414)
	5,710	4,211
Cash and cash equivalents at end of year	5,710	4,211

The notes on pages 39 to 55 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2011

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 2006. The consolidated Annual Report for the Group for the year ended 31 March 2011 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 2006. The financial statements have also been prepared in accordance with the Statement of Recommended Practice (“SORP”) (issued December 2009) for investment trust companies and venture capital trusts except to any extent where it conflicts with IFRS.

The accounting policies that follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2011. 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”).

Campton Group, Inc. was 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 £518,000 in Campton 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. 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 Campton as a subsidiary and therefore produced consolidated financial statements.

Non-controlling interests are stated at the non-controlling interests’ portion of the fair values of the assets and liabilities recognised. Non-controlling interests represent the portion of profit and loss and net assets in subsidiaries that is not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the parent shareholders’ equity. However, any losses applicable to the non-controlling interests in excess of the non-controlling interests 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

1 ACCOUNTING POLICIES – continued

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business, accordingly a segmental reporting note is not presented. The results of Campton 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 statement of comprehensive income, except for expenses which are incidental to the sale or purchase of an investment or related to tender offers, which are charged through the capital column of the statement of comprehensive income.

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 statement of comprehensive income 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 ("the Funds") are stated at Director's valuation which are normally based on valuations provided by the managers of those funds which are received by the Company at least quarterly. The valuation methodology used by these Funds is that the underlying investments are valued at fair value in accordance with Financial Accounting Standard 157 (FAS 157) which is broadly comparable to International Private Equity and Venture Capital (IPEVC) guidelines. Promissory notes to Campton 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.

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 statement of comprehensive income and are allocated either to revenue or capital, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

1 ACCOUNTING POLICIES – continued

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses derived from foreign operations have been translated at the rates of exchange prevailing on the date of transaction. The resulting exchange differences are taken directly as 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 statement of comprehensive income.

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 Statement of Comprehensive Income on a straight-line basis over the lease term.

New standards and interpretations not applied

The IASB have issued the following relevant standards and interpretations which are not effective for the year ended 31 March 2011 and have not been applied in preparing these financial statements.

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date</i>
IFRS 7	Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 27	Reissued as IAS 27 Consolidated and Separate Financial Statements (as amended in 2011)	1 January 2013

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

2 INCOME	2011 <i>Group</i> £'000	2010 <i>Group</i> £'000
Income from investments:		
Interest from open-ended investment funds	27	24
	27	24
Other income:		
Deposit interest	10	4
	37	28
Total income	37	28
Total income comprises:		
Interest	37	28
	37	28
3 EXPENSES	2011 <i>Group</i> £'000	2010 <i>Group</i> £'000
Secretarial services	100	96
Auditor's remuneration for:		
– audit*	25	29
Directors' remuneration	120	120
Other expenses – operating lease of land and buildings	31	30
– public relations and advertising	11	7
– legal and professional fees	113	199
– office expenditure	57	45
– staff costs (see note 4)	416	375
– banking and custody charges	5	5
– other expenses	369	252
	1,247	1,158
	1,247	1,158

* Auditor's remuneration for other services relating to the tender was £12,000 (2010: £nil).

In the year ending 31 March 2011 total fees and expenses of £707,000 (2010: £536,000) have been paid to Campton.

During the year £176,000 of expenses were charged to capital in respect of legal and professional fees relating to the Tender Offer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

4 STAFF COSTS	2011 Group £'000	2010 Group £'000
Salaries and other payments	398	367
Social security costs	18	8
	416	375

With the exception of the Directors, whose remuneration is shown in the Directors' remuneration report on page 27, the Group employed four members of staff during the year (2010: four members of staff).

5 TAXATION ON ORDINARY ACTIVITIES	2011			2010		
	<i>Revenue</i> <i>Return</i> £'000	<i>Capital</i> <i>Return</i> £'000	<i>Total</i> £'000	<i>Revenue</i> <i>Return</i> £'000	<i>Capital</i> <i>Return</i> £'000	<i>Total</i> £'000
UK corporation tax at 28% (2010: 28%)	-	-	-	-	-	-
	-			-		

The Group is subject to corporation tax at 28% (2010: 28%). As at 31 March 2011 the total current taxation charge in the Group's revenue account is lower than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2011			2010		
	<i>Revenue</i> <i>Return</i> £'000	<i>Capital</i> <i>Return</i> £'000	<i>Total</i> £'000	<i>Revenue</i> <i>Return</i> £'000	<i>Capital</i> <i>Return</i> £'000	<i>Total</i> £'000
Net return before finance costs and taxation	(1,210)	4,793	3,583	(1,130)	1,920	790
Theoretical tax at UK corporation tax rate of 28% (2010: 28%)	(339)	1,342	1,003	(317)	538	221
Effects of:						
- expenses disallowed for taxation purposes	33	(49)	(16)	52	-	52
- gains on investments and exchange losses on capital items	-	(1,293)	(1,293)	-	(538)	(538)
- excess management expenses	306	-	306	265	-	265
	-			-		

At 31 March 2011, the Group had no unprovided deferred tax liabilities (2010: £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 Group had surplus management expenses of approximately £14,980,000 (2010: £13,980,000) which have not been recognised as a deferred tax asset. This is because the Group is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Group is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

5 TAXATION ON ORDINARY ACTIVITIES – continued

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

6 DIVIDENDS

No distribution is proposed for the year ended 31 March 2011.

The requirements of Section 1158 of the Corporation Taxes Act 2010 (“S1158”) are considered on the basis of dividends declared in respect of the financial year as shown below.

	2011 £’000	2010 £’000
Net return after taxation per Company accounts	(1,210)	(1,130)
Final dividend proposed of nil (2010: nil) per share	–	–
Revenue retained for S1158 purposes	(1,210)	(1,130)

7 PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Company is not presented as part of these financial statements. The consolidated net return after taxation for the financial year includes £3,720,000 (2010: £714,000) which is dealt with in the financial statements of the Company.

8 RETURN PER ORDINARY SHARE

	2011			2010		
	<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	(3.79)	15.01	11.22	(3.23)	5.49	2.26

Revenue return per Ordinary share is based on the net loss on ordinary activities after taxation of £1,210,000 (2010: net loss of £1,130,000), and on 31,930,924 (2010: 34,953,675) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on the net capital gain for the year of £4,793,000 (2010: net gain of £1,920,000), and on 31,930,924 (2010: 34,953,675) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Total return per Ordinary share is based on the net return for the year of £3,583,000 (2010: net return of £790,000), and on 31,930,924 (2010: 34,953,675) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

9 INVESTMENTS	2011 £'000	2010 £'000
Group and Company		
<i>a) Investment portfolio summary</i>		
USA		
Listed investments		
– common stock	126	–
Unlisted Venture Capital funds	51,298	58,152
Other investments		
– open-ended investment funds	6,553	12,918
	57,977	71,070

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

	<i>Listed</i>	<i>Open-ended</i>	<i>Unlisted</i>	
	<i>equities</i>	<i>investment</i>	<i>Venture</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<i>b) Analysis of investment portfolio movements</i>				
Opening book cost	–	11,593	62,418	74,011
Opening holding losses/gains	–	1,325	(4,266)	(2,941)
Opening valuation	–	12,918	58,152	71,070
Movements in the year:				
Purchases at cost	–	3,300	–	3,300
Calls at cost	–	–	1,841	1,841
Sales				
– proceeds	(5,678)	(9,285)	(902)	(15,865)
– gains on sales	2,695	119	902	3,716
Book cost adjustments from capital distributions				
– cash distributions	–	–	(7,491)	(7,491)
– stock distributions	3,199	–	(3,199)	–
Investment holding (losses)/gains	(90)	(499)	1,995	1,406
Closing valuation	126	6,553	51,298	57,977
Closing book cost	216	5,726	53,569	59,511
Closing holding losses/gains	(90)	827	(2,271)	(1,534)
	126	6,553	51,298	57,977

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

9 INVESTMENTS – continued

b) Analysis of investment portfolio movements (continued)

The Company adopted the amendment to IFRS 7, effective 1 January 2009, in the previous accounting period. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy, within which the fair value measurement is categorised, is determined on the basis of the lowest level input that is significant to the fair value of the investment.

The Company considers observable data for investments actively traded in organised financial markets, with fair value determined by reference to Stock Exchange quoted market bid prices at the close of business on the Balance sheet date, without adjustment for transaction costs necessary to realise the asset.

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 March 2011.

Financial instruments at fair value through profit and loss

<i>Company</i>	<i>Level 1</i> £'000	<i>Level 2</i> £'000	<i>Level 3</i> £'000	<i>Total</i> £'000
Unquoted Investments				
Open-ended investment funds	6,553	–	–	6,553
Unlisted Venture Capital funds	–	–	51,298	51,298
Listed investments	126	–	–	126
	6,679	–	51,298	57,977

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active equities. The Company does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are based on available market information.

Investments classified within level 3 have significant unobservable inputs. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value. In respect of unquoted instruments, or where the market for a financial instrument is not active, Venture Capital Funds based in the United States 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. FAS 157 is broadly comparable to IPEVC guidelines.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

9 INVESTMENTS – continued

b) Analysis of investment portfolio movements (continued)

The following table presents the movement in level 3 instruments for the period ended 31 March 2011 by class of financial instrument.

<i>Group</i>	<i>Unlisted Venture Capital funds £'000</i>
Opening balance	58,152
Calls	1,841
Distributions	(7,491)
Transfers from level 3 to level 1	(3,199)
Total gains for the year included in the statement of comprehensive income	1,995
Closing balance	51,298

Following flotation of an investee company, shares in this company may be directly distributed to PEI. The Book cost associated to these shares is transferred out of level 3 investments and transferred to level 1. It is the Company's normal policy to sell these shares as soon as possible.

	<i>2011 £'000</i>	<i>2010 £'000</i>
<i>c) Analysis of capital gains and losses</i>		
Gains/(losses) on sales	3,716	(820)
Increase in investment holding gains	1,406	3,223
	5,122	2,403
Gains on investments		
Realised exchange gains/(losses) on sales	87	(44)
Exchange losses on investment holding gains	(240)	(439)
	(153)	(483)

d) Significant holdings

The Company owns 15.0% and 10.1% of the total value of the called capital of the Venture Capital Funds in Dawntreader Fund II and Zone Ventures Fund II respectively.

e) Transaction costs

During the year the Company incurred no transaction costs (2010: £nil) in relation to purchases of investments and £4,000 (2010: £6,000) in relation to sales of investments. These amounts are included within gains and losses on investments at fair value within the statement of comprehensive income.

10 INVESTMENT IN SUBSIDIARY

The Company has an investment of £518,000 (2010: £514,000) in Campton, a company registered in the United States providing private equity investment products and services, under the Secured Credit Facility and Secured Promissory Note Agreements (see Note 20).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

10 INVESTMENT IN SUBSIDIARY – continued

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, however, it has applied to be struck off the Register of Companies at Companies House. It has not traded during the year and has not been consolidated as it is, in the Directors' opinion, immaterial to the financial statements.

11 TRADE AND OTHER RECEIVABLES

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts due from subsidiary	–	158*	–	33
Sales for future settlement	36	36	–	–
Prepayments and other debtors	37	26	31	22
Accrued income	–	–	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
	73	220	33	57
	<hr/>	<hr/>	<hr/>	<hr/>

* During the year the Company paid £114,000 (2010: £0) under the Fundraising Expenses Advance Agreement (see Note 20) to Campton and accrued interest of £3,000 (2010: £0). As at 31 March 2011 interest arising under the Secured Convertible Promissory Note of £41,000 (2010: £33,000) has been accrued.

12 TRADE AND OTHER PAYABLES

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Other payables	134	78	192	160
Tender offer costs	158	158	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	292	236	192	160
	<hr/>	<hr/>	<hr/>	<hr/>

13 SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid: 27,004,742 (2010: 34,953,675) Ordinary Shares of 0.01p each	<hr/> 3	<hr/> 3

During the year the Company purchased for cancellation 7,948,933 Ordinary shares. The Company purchased 2,568,765 Ordinary shares on the open market for a consideration of £3,116,952 plus broker and stamp duty expenses of £21,954. The Company also purchased 5,380,168 Ordinary shares under a tender offer for a total consideration of £11,999,733 plus expenses of £260,301. Of these costs £15,222,679 has been taken to the special reserve, the remainder being legal and professional fees relating to the tender offer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

14 RESERVES

Group	<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>Capital reserve Currency translation reserve £'000</i>	<i>Retained earnings £'000</i>
Beginning of year	79,072	2	1,259	(3,187)	4	(1,625)
Net gains on sale of investments	–	–	3,716	–	–	–
Holding gains on investments	–	–	–	1,406	–	–
Exchange gains/(losses)	–	–	87	(240)	–	–
Exchange differences on retranslation of net assets of subsidiary	–	–	–	–	14	–
Shares purchased for cancellation	(15,223)	–	(176)	–	–	–
Net return for the year	–	–	–	–	–	(1,210)
End of year	63,849	2	4,886	(2,021)	18	(2,835)

Company	<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>Capital reserve Retained earnings £'000</i>
Beginning of year	79,072	2	1,259	(3,187)	(1,457)
Transfer between reserves	–	–	–	–	–
Net gains on sale of investments	–	–	3,716	–	–
Holding gains on investments	–	–	–	1,406	–
Exchange gains/(losses)	–	–	87	(243)	–
Shares purchased for cancellation	(15,223)	–	(176)	–	–
Dividends paid	–	–	–	–	–
Net return for the year	–	–	–	–	(1,070)
End of year	63,849	2	4,886	(2,024)	(2,527)

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 distributions to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH AND CASH EQUIVALENTS	2011		2010	
	<i>Group</i> £'000	<i>Company</i> £'000	<i>Group</i> £'000	<i>Company</i> £'000
Increase/(decrease) in cash in the year	1,729	1,712	(2,005)	(2,149)
Effect of foreign exchange rate movements	(201)	(213)	(418)	(414)
	1,528	1,499	(2,423)	(2,563)
Movement in cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,612	4,211	7,035	6,774
	6,140	5,710	4,612	4,211
Cash and cash equivalents at end of the year	6,140	5,710	4,612	4,211

Cash and cash equivalents are comprised as follows:

	2011		2010	
	<i>Group</i> £'000	<i>Company</i> £'000	<i>Group</i> £'000	<i>Company</i> £'000
Cash in hand at bank	6,140	5,710	4,612	4,211
	6,140	5,710	4,612	4,211

16 NET ASSET VALUE PER ORDINARY SHARE

The Group net asset value per Ordinary share is based on net assets of £63,902,000 (2010: £75,528,000) and on 27,004,742 (2010: 34,953,675) 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 £64,189,000 (2010: £75,692,000) and on 27,004,742 (2010: 34,953,675) Ordinary shares, being the number of shares in issue at the year end.

17 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2011 there were financial commitments outstanding of £6.7 million (2010: £8.7 million) in respect of outstanding call commitments to funds.

Campton Group, Inc has entered into Employee Retention Agreements guaranteed by the Company. The contingent liability under these agreements is \$370,000.

18 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

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.

Financial assets

Full analysis of the Company's investment portfolio is given on page 13. The method of valuing the fixed asset investments is discussed in the accounting policies of the Company in Note 1 on page 40. Cash and debtors arising from the operations of the Company as at 31 March 2011 amounted to £5,710,000 (2010: £4,211,000) and £220,000 (2010: £57,000) respectively. Cash and debtors arising from operations of the Group as at 31 March 2011 amounted to £6,140,000 (2010: £4,612,000) and £73,000 (2010: £33,000) respectively. There were no material differences between the fair values of the investments as at 31 March 2011 and 31 March 2010 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 \$10,704,000 to these US venture capital funds, which will be financed through 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Interest rate risk

The Company's revenue will be affected by changes in prevailing interest rates since a large portion of its income ordinarily derives from money market funds 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 some 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 2011, the Company held investments in AAA-rated money market funds valued at £6.6 million (2010: £12.9 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.

As at 31 March 2011, 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	–	6,553	–	–	6,553	–
Quoted equities	–	–	126	–	–	126
Unlisted funds	–	–	51,298	–	–	51,298
Cash	–	6,140*	–	–	5,710*	–
Other current assets	–	–	36**	114	–	80**
	–	12,693	51,460	114	12,263	51,504

As at 31 March 2010, 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	–	12,918	–	–	12,918	–
Unlisted funds	–	–	58,152	–	–	58,152
Cash	–	4,612*	–	–	4,211*	–
Other current assets	–	–	2**	–	–	35**
	–	17,530	58,154	–	17,129	58,187

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

If interest rates had reduced by 1% from those available at 31 March 2011, it would have had the effect, with all other variables held constant, of reducing the net revenue return before taxation and Shareholders funds by £127,000 (2010: £175,000). 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 2011 and these may not be representative of the year as a whole.

Credit risk

The Company is exposed to credit risk in the following areas:

- *Loans to Campton Group, Inc.*
The Company has entered into three separate loan agreements with Campton. In the event that Campton ceased to operate the Company's investment would be at risk. The Board continues to support Campton's efforts to develop its private equity fund-of-fund management and advisory business.
- *Failure by counterparties to return cash deposits*
Cash deposits (money market funds and cash at bank) are placed with counterparties with a recognised with a minimum credit rating of AA or equivalent. In addition a range of counterparties is used to further diversify the risk.
- *Failure by counterparties to deliver cash or securities through trading activities.*
Transactions in listed securities are settled against delivery using approved brokers. The risk of default is considered minimal.

Market price risk

Private equity investments are not immediately sensitive to market movements. 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 2011, 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% (£5,798,000) change in shareholders' funds.

The Review of investments on pages 7 to 12 provides information in respect of the investments. The method of valuing the investments is discussed in the accounting policies note on page 40.

Foreign currency risk

The Company is exposed to currency risk directly since the majority of its assets and liabilities are denominated in US dollars 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 2011, realised exchange losses of £619,000 (2010: losses of £370,000) and unrealised losses relating to currency of £213,000 (2010: losses of £416,000), have been taken to the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Foreign currency risk – continued

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

At 31 March 2011	<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	57,662	4,193	36	57,662	3,763	193
UK	315	1,947	–	315	1,947	–
	57,977	6,140	36	57,977	5,710	193
<hr/>						
At 31 March 2010	<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	71,070	4,553	9	71,070	4,152	33
UK	–	59	24	–	59	24
	71,070	4,612	33	71,070	4,211	57

If the sterling/dollar exchange rate had reduced by 10% from the rate at 31 March 2011, it would have had the effect, with all other variables held constant, of increasing the equity shareholders' funds by £6,877,000 (2010: £7,267,000).

If there had been an increase in the sterling/dollar exchange rate of 10% it would have had the effect of decreasing the equity shareholders' funds by £5,626,000 (2010: £5,469,000).

The calculations are based on the investments held at fair value through profit or loss and the exchange rate of 1.60295 GBP: US\$ as at 31 March 2011 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 2011 and 31 March 2010, all financial liabilities were due within one year. Other financial liabilities amounted to £78,000 (2010: £160,000) resulting from operating activities and £158,000 (2010: £nil) from financing.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 March 2011

18 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Foreign currency risk – continued

Managing Capital

The Group's equity is analysed into its various components in notes 13 and 14. The Company manages its investments so as to maximise the return to shareholders while maintaining a capital base to allow the Company to operate effectively. Strong realisations from the investment portfolio in recent years has facilitated the return of capital to shareholders. This has been achieved through the buy back of shares.

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

19 RELATED PARTY TRANSACTIONS

During the year the Company rented office space from Peter Dicks, Chairman of the Company, for a consideration of £11,250.

In the year ending 31 March 2011 total fees and expenses of £707,000 (2010: £536,000) were paid to Campton Group, Inc. by the Company. In addition, £32,000 (2010: £43,000) (values as at transaction date) have been drawn down during the year under Secured Credit Facility Agreement. As at the year end £158,000 (2010: £33,000) were due to the Company from Campton (for further disclosures see also Notes 3, 10, 11, 20).

20 BUSINESS COMBINATION

Private Equity Investor PLC and Campton Group, Inc. have entered into the following agreements: Two Secured Convertible Promissory Note Agreements dated 3 November 2006 and 11 December 2006; a Secured Credit Facility Agreement dated 13 February 2007 and a Fundraising Expenses Advance Agreement dated 1 October 2007. The Company currently has a total investment of £517,795 in Campton Group, Inc. If the Company were 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 the average of the total assets less current liabilities.

COMPANY INFORMATION

DIRECTORS at the date of this report

Peter Dicks (Non-Executive Chairman)
Colin Kingsnorth (Non-Executive)
Rory Macnamara (Non-Executive)
David Quysner CBE (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
87 Wimpole Street
London
Tel: 0207 563 1630
Fax: 0207 486 4534
www.peiplc.com

BANKERS

Lloyds TSB Bank Plc
234 High Street
Exeter EX4 3NL

STOCKBROKERS

JP Morgan Cazenove
10 Aldermanbury
London EC2V 2RF

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 publishes Interim Management Statements that are 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 the AIC, 24 Chiswell Street, London EC1Y 4YY at 9.30 am on Wednesday, 21 September 2011, for the following purposes:

Ordinary business – To propose as Ordinary Resolutions the following:

1. To adopt the accounts for the year ended 31 March 2011, together with the Reports of the Directors and Auditor.
2. To receive the Directors' remuneration report.
3. To re-elect Peter Dicks a Director of the Company.
4. To re-elect Colin Kingsnorth a Director of the Company.
5. To re-elect David Quysner a Director of the Company.
6. To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.

Special business – To propose as a Special Resolution the following:

7. That in substitution for the Company's existing authority to make market purchases of Ordinary Shares of 0.01p each in the capital of the Company ("Ordinary Shares"), the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares, provided that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 4,048,010 or if less, 14.99% of the number of shares in issue immediately following the passing of this resolution;
 - (ii) the minimum price which may be paid for each Ordinary Share is 0.01p;
 - (iii) the maximum price payable by the Company for each Ordinary Share is the higher of (i) 105% of the average of the mid-market value of the Ordinary Shares in the Company for the five business days prior to the date of the market purchase and (ii) the higher of the price of the last independent trade and the highest current bid as stipulated by Article 5(1) of Buy-Back and Stabilisation Regulation;
 - (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2012 or, if earlier, on the expiry of 18 months from the passing of this Resolution, unless such authority is renewed prior to such time; and
 - (v) the Company may make a contract to purchase Ordinary 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 Ordinary 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
28 July 2011

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, PXS, 34 Beckenham Road, Beckenham 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 28 July 2011 (being the last business day prior to the publication of this notice) the Company's issued share capital and total voting rights amounted to 27,004,742 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 19 September 2011 (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. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
10. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
11. 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 the AIC, 24 Chiswell Street, London EC1Y 4YY 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.
12. This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 28 July 2011 (the business day prior to the publication of this Notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be 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)

for the following number of shares

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 the AIC, 24 Chiswell Street, London EC1Y 4YY at 9.30 am on Wednesday, 21 September 2011, and at any adjournment thereof.

Signature

Date 2011

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	DISCRE- TIONARY
RESOLUTION 1	To adopt the accounts for the year ended 31 March 2011, together with the Reports of the Directors and Auditor.				
RESOLUTION 2	To receive the Directors’ remuneration report.				
RESOLUTION 3	To re-elect Peter Dicks a Director of the Company.				
RESOLUTION 4	To re-elect Colin Kingsnorth a Director of the Company.				
RESOLUTION 5	To re-elect David Quysner a Director of the Company.				
RESOLUTION 6	To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.				
RESOLUTION 7	To approve the passing of Resolution 6 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, PXS, 34 Beckenham Road, Beckenham 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.
9. Please post proxy card in an enclosed envelope.



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