



PRIVATE EQUITY INVESTOR PLC

Interim Report 30 September 2006

INVESTMENT OBJECTIVE AND POLICY

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

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

PERFORMANCE STATISTICS

	<i>30 September 2006</i>	<i>31 March 2006</i>	<i>% change</i>
Net Asset Value per ordinary share ("NAV")*	172.18p	170.78p	0.82
NAV per ordinary share in US cents	321.62c	296.23c	8.57
Mid market price per ordinary share	166.75p	164.75p	1.21
Discount to NAV	3.15%	3.53%	
Capital return per ordinary share	1.40p	55.95p	
Total return per ordinary share	1.96p	55.45p	
Exchange rate – US\$/£	1.86795	1.73455	

* excludes current period revenue for 30 September 2006

CHAIRMAN'S STATEMENT

Results

I am pleased to present Private Equity Investor's interim results for the six months ended 30 September 2006. During the period, net assets attributable to ordinary shareholders increased from 170.78 pence per share to 172.18 pence per share, or just under 1%, and increased in dollar terms from 296.23 cents per share to 321.62 cents per share, or approximately 8.6%. Changes in the value of public stocks held by PEI's Limited Partnerships accounted for most of the increase in the dollar based NAV. The Company's share price increased from 164.75 pence to 166.75 pence. During the same period the NASDAQ composite index fell by 3.35% to 2258.43. Over the period, the US dollar/sterling exchange rate moved from \$1.73 to \$1.87.

No dividend is proposed for the period.

Portfolio Review

As at 30 September 2006 the Company was invested in 21 venture funds and these holdings were valued at \$106 million. Undrawn commitments totalled \$31.1 million, against which the Company had cash and liquid resources totalling \$54.9 million. In the six month period to 30 September 2006 the Company paid \$5.7 million in capital drawdowns to its Limited Partnerships compared with \$10.9 million for the equivalent period to 30 September 2005.

Distributions received in the six month period to 30 September 2006 from our Limited Partnerships were \$16.6 million compared with \$27.9 million in the six months to 31 March 2006 and \$2.9 million for the equivalent period to 30 September 2005. Cash distributions accounted for \$3.0 million and stock for \$13.6 million. Since the period end the Company has received further distributions totalling \$6.8 million, \$3.5 million in cash and \$3.3 million in stock.

The total of \$16.6 million during the period was received as a result of distributions from 15 separate sales or IPOs. Of this figure some \$11.3 million came from the receipt of 146,301 shares of Baidu, the leading Chinese-based search engine. These shares were sold at an average price of \$77.07 representing a small premium to the distribution price to PEI. As a result of this sale, PEI has now received a total of \$16.4 million from the sales of Baidu shares over the last nine months. We estimate that there remain approximately 25,000 shares of Baidu which PEI is due to receive when the final distribution is made. The next largest amount of cash received came as a result of a distribution of 25,809 shares in Focus Media which resulted in proceeds of \$1.6 million to PEI. Focus Media is a Chinese-based company selling out-of-home television advertising. Both Baidu and Focus Media were investments of DFJ ePlanet Ventures.

In July the Company committed a total of \$8 million to two successor funds to existing holdings, \$5 million to VantagePoint 2006 Fund and \$3 million to NEA 12. Additionally, a \$5 million commitment was made to a new group for PEI, Francisco Partners II. NEA and VantagePoint expect these new funds to follow similar investment policies to their immediate predecessors, NEA 11 and VantagePoint IV, and are both expected to be strong performers for PEI.

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

During the period seven of PEI's underlying portfolio companies undertook IPOs. These were:

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

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

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

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

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

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

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

Post Period Events

Private Equity Investor PLC (“PEI” or “the Company”) announced in December 2006 the formation of Campton Group Inc (“Campton”).

Campton has been established as a private equity fund of funds adviser to advise PEI on its existing portfolio, and to develop and grow a complementary private equity fund of funds management business. It has been formed in association with Allen Latta, formerly Director of Business Development and head of the US office of global private equity fund of funds manager VenCap International Plc.

Mr Latta, who will be based in San Francisco, has been appointed President and CEO of Campton. He has over 15 years of experience in venture capital, private equity, public offerings and mergers and acquisitions. Prior to joining VenCap, he was an Executive Director in the Telecommunications Investment Banking Group at Bear, Stearns & Co. and before that a Director in the Media and Telecommunications Group at CIBC World Markets. An MBA with honours from the Anderson School at UCLA, before his career in investment banking Mr Latta was an attorney specialising in corporate finance.

PEI intends to raise new capital which it will leverage through its existing relationships in the private equity field to invest over a period of years, in a spread of investment “vintages” and sectors. In addition, Campton and PEI will use their existing extensive contacts to develop new relationships with other high quality private equity managers with a view to making investments in their future funds.

PEI will initially make \$1 million available to Campton and will own a 63% stake. Its holding will reduce to a minimum of 51% as Campton's management team is built up. PEI may make further capital available to Campton to assist it in developing its fund raising and investment management activities.

Outlook and new Distribution Policy

In the third quarter of 2006, venture capitalists invested \$6.2 billion in 797 deals, according to the MoneyTree Report. The investment level represented the third consecutive quarter over the six billion dollar mark and reflected continuing optimism within the industry.

PEI has made excellent progress over the last eighteen months as illustrated by the strong increase in the rate of distributions received from its underlying partnerships interests. This trend reflects the “maturing” of a number of the portfolio companies resulting in a number of liquidity events either as a result of companies undertaking Initial Public Offerings or receiving takeover offers. During the period from 30 June 2005 to the current time approximately \$53.2 million has been received from distributions compared with \$9.2 million in the previous eighteen month period. This increased level of portfolio activity is also reflected in the company's net asset value which has risen by 46% from 30 June 2005 to 30 November 2006 or from \$2.20 per share to \$3.22 per share. It is expected that the trend of distribution levels should remain strong as the remaining investments held by its current venture funds continue to mature.

At present, PEI holds cash, liquid investments and receivables totalling \$58 million compared with commitments of \$30 million giving the Company an approximate net cash position of \$28 million. During the coming year, PEI will seek ways to return cash to shareholders in a tax efficient manner. PEI is currently considering options for structuring and raising new fund products, including making commitments to successor funds to its existing portfolio holdings. It is envisaged that PEI will reserve \$20 million of its existing liquid resources for these purposes and will seek ways to distribute amounts in excess of this, arising from its investment portfolio, to shareholders over time.

PETER F. DICKS

Chairman

19 December 2006

INCOME STATEMENT (UNAUDITED)

for the six months to 30 September 2006

	2006			2005		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments at fair value	–	964	964	–	20,299	20,299
Exchange (losses)/gains on capital items	–	(265)	(265)	–	75	75
Income	558	–	558	45	–	45
Expenses	(279)	–	(279)	(277)	–	(277)
Net return before taxation	279	699	978	(232)	20,374	20,142
Taxation	–	–	–	–	–	–
Net return after taxation	279	699	978	(232)	20,374	20,142
Return per ordinary share						
– basic and diluted	0.56p	1.40p	1.96p	(0.46)p	40.75p	40.29p

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

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

No operations were acquired or discontinued in the period.

SUMMARISED BALANCE SHEET (UNAUDITED)

	<i>As at</i> 30 September 2006 £'000	<i>As at</i> 31 March 2006 £'000	<i>As at</i> 30 September 2005 £'000
Fixed assets			
Investments at fair value	76,892	80,194	77,759
Net current assets	9,477	5,197	46
Net assets	86,369	85,391	77,805
Share capital and reserves			
Called up share capital	5	5	5
Share premium account	96,862	96,862	96,862
Capital reserves	(10,641)	(11,340)	(18,942)
Revenue reserve	143	(136)	(120)
Total equity shareholders' funds	86,369	85,391	77,805
Net asset value per ordinary share (excluding current period return at 30 September 2006 but including current period deficit at 30 September 2005)			
– Basic and diluted	172.18p	170.78p	155.61p

SUMMARISED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months to 30 September 2006

	2006 £'000	2005 £'000
Net cash inflow/(outflow) from operating activities	311	(276)
Capital expenditure and financial investment		
Purchases of investments	(4,995)	(11,300)
Sales of investments	13,415	11,730
Deferred gain on capital items	–	56
Realised exchange (losses)/gains on settlement	(34)	43
Net cash inflow from capital expenditure and financial investment	8,386	529
Increase in cash	8,697	253

The financial information contained in this interim report does not constitute full statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the six months ended 30 September 2006 and 30 September 2005 has not been audited.

The information for the year ended 31 March 2006 has been extracted from the latest published audited accounts. Those accounts have been filed with the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under Sections 237 (2) or (3) of the Companies Act 1985.

INVESTMENT PORTFOLIO

at 30 September 2006

	<i>Total commitment</i>	<i>Drawdown book cost*</i>	<i>Market value</i>	<i>Market value</i>	<i>% of net assets</i>
	US\$'000	US\$'000	US\$'000	£'000	
<i>Unquoted Venture Capital Funds</i>					
APV Technology Partners III	5,000	4,090	904	484	0.6
Bay III	5,000	4,738	769	412	0.5
Crescendo IV	10,000	9,360	3,772	2,019	2.3
Dawntreader Fund II	30,000	24,271	17,142	9,177	10.6
Draper Fisher Jurvetson ePlanet Ventures	30,000	750	14,210	7,607	8.8
Draper Fisher Jurvetson Fund VI	2,000	1,886	1,107	593	0.7
Draper Fisher Jurvetson Fund VII	5,000	3,396	3,083	1,650	1.9
Draper Fisher Jurvetson Gotham Venture Fund	3,000	1,435	1,858	994	1.1
Focus Ventures II	30,000	25,055	13,210	7,072	8.2
Francisco Partners II	5,000	287	215	115	0.1
New Enterprise Associates 9	5,000	4,337	1,765	945	1.1
New Enterprise Associates 10	10,000	5,447	6,268	3,356	3.9
New Enterprise Associates 12	3,000	120	102	55	0.1
Oak Investment Partners X	10,000	6,550	6,339	3,394	3.9
Sprout Capital IX	3,750	2,370	2,186	1,170	1.3
Technology Crossover Ventures IV	25,000	11,070	13,521	7,238	8.4
Vanguard VII	3,000	2,348	1,029	551	0.6
VantagePoint Venture Partners IV	10,000	6,461	7,178	3,842	4.5
VantagePoint 2006 Fund	5,000	–	–	–	–
Zone Ventures Fund II	10,000	10,000	10,808	5,786	6.7
Zone Ventures Fund II Annex	400	400	640	343	0.4
Total Unquoted Venture Capital Funds	210,150	124,371	106,106	56,803	65.7
<i>Open-ended Investment Funds</i>					
Global Treasury Funds plc	–	16,407	16,407	8,784	10.2
Merrill Lynch Institutional USD Fund	–	21,000	21,000	11,242	13.0
Total Open-ended Investment Funds	–	37,407	37,407	20,026	23.2
<i>Other investments held directly by the Company</i>					
<i>Common Stock**</i>					
Bakbone Software Inc	–	99	27	14	–
Broadcom Corporation Class A	–	87	18	10	–
Wireless Facility Inc	–	552	72	39	0.1
Total other investments	–	738	117	63	0.1
Total investments	210,150	162,516	143,630	76,892	89.0
Net current assets			17,703	9,477	11.0
Net assets			161,333	86,369	100.0

* Drawdown book cost is adjusted for capital distributions from the unquoted funds.

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

COMPANY INFORMATION

DIRECTORS (all Non-Executive)

Peter Dicks (Chairman)
Hon. Barbara Thomas
Colin Kingsnorth
Rory Macnamara
David Quysner

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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
December	Interim results

FREQUENCY OF NAV PUBLICATION

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

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

NOTES

