

PRIVATE EQUITY INVESTOR PLC

Half-Yearly Report 30 September 2007

INVESTMENT OBJECTIVE AND POLICY

The Company was launched in February 2000 and provides both private and institutional investors with a means to participate in specialised venture capital funds in the USA, 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 2007</i>	<i>31 March 2007</i>	<i>% change</i>
Net Asset Value per ordinary share ("NAV")*	171.51p	173.42p	(1.10)
NAV per ordinary share in US cents	349.43c	340.14c	2.73
Mid market price per ordinary share	155.00p	167.00p	(7.19)
Discount to NAV	9.63%	3.70%	
Total (loss)/return per ordinary share	(1.44)p	2.64p	
Exchange rate – US\$/£	2.03735	1.96135	

* excludes current period revenue for 30 September 2007

CHAIRMAN'S STATEMENT

I am pleased to present the interim results for Private Equity Investor PLC ("PEI" or "the Company") for the six months ended 30 September 2007. During the period, the Company's Net Asset Value ("NAV") decreased from 173.42 pence per share to 171.51 pence per share, but increased in dollar terms from 340.14 cents per share to 349.43 cents per share, or approximately 2.7%. During the same period the NASDAQ Composite Index rose by 11.6% (from 2421.6 to 2701.5) and the US dollar/sterling exchange rate moved from \$1.96 to \$2.04.

No dividend is proposed for the period.

Portfolio Review

As at 30 September 2007 the Company was invested in • venture funds and these holdings were valued at \$105.2 million. PEI's cash and readily realisable assets totalled \$69.1 million, compared with outstanding commitments of \$28.8 million. Of this figure approximately \$10.4 million is due to be called from the original portfolio and \$18.4 million from the five more recent holdings. In the six month period to 30 September 2007 the Company paid \$5.4 million in capital drawdowns to its Limited Partnerships, of which \$3.3 million was paid in calls to the original Limited Partnerships, compared with \$5.7 million for the equivalent period to 30 September 2006.

Distributions received in the six month period to 30 September 2007 from PEI's Limited Partnerships were \$9.0 million compared with \$15.9 million in the six months to 31 March 2007 and \$16.6 million for the equivalent period to 30 September 2006. Cash distributions accounted for \$6.1 million and stock for \$2.9 million. The largest amounts of cash received came in the form of two cash distributions: \$1.6 million was received from Focus Ventures II as a result of the sale of their shares in Isilon Systems which resulted in a 5.3x return on the underlying investment and a further \$1.6 million was received from Dawntreader Fund II from the sale of their portfolio company ProactiveNet to BMC Software, resulting in a 1.24x return on the underlying investment. Since the period end the Company has received further distributions totalling \$5.9 million (\$5.8 million in cash and \$0.1 million in stock).

During the period under review, six of PEI's underlying portfolio companies undertook IPO's. These were:

EnerNOC (DFJ VI); a leading developer and provider of clean and intelligent power solutions to commercial, institutional and industrial customers, as well as electric power grid operators and utilities.

Data Domain (NEA 10); a provider of a disk and network based data protection service.

Infinera (Sprout IX); a manufacturer of high capacity optical transmission equipment for the service provider market.

Starent Networks (Focus II); a leading provider of networking solutions required by mobile operators to provide multimedia services to their customers.

Virtusa (Focus II); an IT outsourcing solution providing IT offshoring consulting and custom software development services.

Athenahealth (DFJ VII); a provider of Internet-based business services for physician practices. Athenahealth was the largest IPO in the Technology sector in the third quarter of 2007 (\$113.2 million issue).

Also, since the period end two portfolio companies undertook IPO's; Compellent Technologies (Crescendo IV) (the third best IPO debut of 2007) and Ulta Salon (Oak X). A further six underlying companies also filed IPO Registration Statements.

CHAIRMAN'S STATEMENT (CONTINUED)

Tender Offer

On 12 November Shareholders were sent a circular informing them that the Company was proposing to make a Tender Offer to shareholders to purchase shares with a value of £12.5 million. An Extraordinary General Meeting will be held on 7 December at which approval of Shareholders will be sought to allow the Company to purchase shares under the Tender Offer. The Board is unanimously recommending shareholders to vote in favour of this Resolution as the Directors intend to do in respect of their own beneficial holdings of shares. The Company believes that a Tender Offer is an equitable way to distribute surplus available cash to all shareholders on a pro-rata basis at a purchase price close to the Net Asset Value. To the extent that fewer than all the shares available for purchase under the scheme are tendered in the offer, the Company will retain the right to utilise the remainder of its authority to make individual market purchases of shares. It is envisaged that after the Tender Offer the Company will continue periodically to distribute surplus funds to shareholders.

Campton Group Update

The circular also noted that the Board had allocated \$40 million to assist the Campton Group in developing its business. Campton advises the Company on its existing portfolio and intends to develop a fund of funds management and advisory business that may provide its services both to the Company and to third parties. While the business of Campton is being developed the Company has made a number of commitments to highly regarded venture capital funds with the intention of transferring these to a new fund of funds vehicle to be raised by the Company and Campton. Providing that Campton is successful in its fund raising activities PEI will be reimbursed for its contribution to the fund launch costs as well as for the cost of the recently committed "warehoused" funds. The Company believes that these warehoused commitments will be the cornerstone of a new fund of funds and that the Company will benefit from this through the development of Campton's fund management business in which it will have a significant interest.

Outlook

Sixty-seven venture-backed mergers and acquisitions were completed in the third quarter of 2007, thirty four of which had disclosed values totalling \$7.7 billion, according to the Exit Poll report by Thomson Financial and the NVCA. This dollar volume represents a 104% increase from the same quarter last year. Additionally, the average disclosed acquisition value was at its highest level since the fourth quarter of 2000. The venture-backed IPO market had twelve offerings for \$945.2 million in Q3 2007, a slight increase from the same quarter last year when \$934.2 million was raised from eight offerings.

Despite the third quarter of 2007 being marked by significant stock market volatility and growing concerns about the state of sub-prime mortgages, the market saw strong M&A transactions and a growing pipeline of venture-backed companies in registration.

There has recently been substantial turbulence in financial markets and, in the short term at least, this may result in fewer M&A transactions and a more difficult IPO market. However, the Company has a diversified portfolio of venture capital assets (which are principally equity rather than debt financed) and which we believe will prove resilient.

Peter F.Dicks
Chairman

30 November 2007

INTERIM MANAGEMENT REPORT

This Half-Yearly Report is the first such report to be published by this Company under the Disclosure and Transparency Rules ("DTR") that apply to all listed companies with accounting periods commencing after 20 January 2007. Under the DTR the company is required to make a number of new disclosures, including those on this page.

The important events that have occurred during the period under review are set out in the Chairman's Statement. The key factors influencing the financial statements are also set out in the Chairman's Statement.

The principal risks and uncertainties for the remaining six months of the financial year are reviewed in the Outlook section of the Chairman's Statement.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- (a) the condensed set of financial statements contained within the Half-Yearly Report have been prepared in accordance with applicable accounting standards in the United Kingdom, and give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure and Transparency Rules ("DTR") 4.2.4R;
- (b) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (c) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have been materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This Half-Yearly Report was approved by the Board of Directors on 30 November 2007 and the above responsibility statement was signed on its behalf by Peter F. Dicks, Chairman.

INCOME STATEMENT (unaudited)

for the six months to 30 September 2007

	2007			2006		
	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
<i>(Losses)/gains on investments at fair value</i>	–	(857)	(857)	–	964	964
<i>Exchange losses on capital items</i>	–	(95)	(95)	–	(265)	(265)
<i>Income</i>	846	–	846	558	–	558
<i>Expenses</i>	(617)	–	(617)	(279)	–	(279)
Net return before taxation	229	(952)	(723)	279	699	978
<i>Taxation</i>	–	–	–	–	–	–
Net return after taxation	229	(952)	(723)	279	699	978
Return/(loss) per ordinary - share basic and diluted	0.46p	(1.90)p	(1.44)p	0.56p	1.40p	1.96p

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> <i>30 September 2007</i> <i>£'000</i>	<i>As at</i> <i>31 March 2007</i> <i>£'000</i>	<i>As at</i> <i>30 September 2006</i> <i>£'000</i>
Fixed assets			
Investments at fair value	82,761	85,286	76,892
Net current assets	<u>3,224</u>	<u>1,422</u>	<u>9,477</u>
Net assets	<u>85,985</u>	<u>86,708</u>	<u>86,369</u>
Share capital and reserves			
Called up share capital	5	5	5
Share premium account	96,862	96,862	96,862
Capital reserves realised	13,155	13,143	13,309
Capital reserves unrealised	(24,839)	(23,875)	(23,950)
Revenue reserve	<u>802</u>	<u>573</u>	<u>143</u>
Total equity shareholders' funds	<u>85,985</u>	<u>86,708</u>	<u>86,369</u>
Net asset value per ordinary (excluding current period 30 September 2007 and 30 September 2006)	171.51p	173.42p	172.18p

SUMMARISED STATEMENT OF CASH FLOWS (unaudited)

for the six months to 30 September 2007

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Net cash inflow from operating activities	<u>116</u>	<u>311</u>
Capital expenditure and financial investment		
Purchases of investments	(2,734)	(4,995)
Sales of investments	4,697	13,415
Realised exchange losses on settlement	<u>(19)</u>	<u>(34)</u>
Net cash inflow from capital expenditure and financial investment	<u>1,944</u>	<u>8,386</u>
Increase in cash	<u>2,060</u>	<u>8,697</u>

INVESTMENT PORTFOLIO

at 30 September 2007

	<i>Total commitment US\$'000</i>	<i>Market value US\$'000</i>	<i>Market value £'000</i>	<i>% of net assets</i>
<i>Unquoted Venture Capital Funds</i>				
APV Technology Partners III	5,000	882	433	0.5
Bay III	5,000	686	337	0.4
Crescendo IV	10,000	4,301	2,111	2.5
Draper Fisher Jurvetson E-Planet	30,000	16,967	8,328	9.7
Draper Fisher Jurvetson Fund VI*	2,000	1,711	840	1.0
Draper Fisher Jurvetson Fund VII	5,000	3,111	1,527	1.8
Draper Fisher Jurvetson Gotham	3,000	2,018	990	1.2
Focus Ventures II	30,000	14,625	7,178	8.3
Francisco Partners II	5,000	1,766	867	1.0
IVP XII	5,000	–	–	–
New Enterprise Associates 9	5,000	1,731	850	1.0
New Enterprise Associates 10	10,000	6,907	3,390	3.9
New Enterprise Associates 12	3,000	781	383	0.4
Oak Investment Partners X	10,000	5,592	2,745	3.2
Sprout Capital IX	3,750	2,150	1,055	1.2
Technology Crossover Ventures IV	25,000	9,427	4,627	5.4
Vanguard VII	3,000	1,345	660	0.8
Vantagepoint 2006 Fund	5,000	316	155	0.2
Vantagepoint IV	10,000	8,072	3,962	4.6
Vector Capital IV	4,000	161	79	0.1
Wit Dawntreader Fund II	30,000	16,352	8,026	9.3
Zone Ventures II	10,000	5,779	2,836	3.3
Zone Ventures Fund II Annex	400	547	269	0.3
<i>Total Unquoted Venture Capital Funds</i>	219,150	105,227	51,648	60.1
<i>Open-ended Investment Funds</i>				
Global Treasury Funds Plc	–	21,000	10,308	12.0
JP Morgan USD Liquidity Distribution Fund	–	20,000	9,816	11.4
Merrill Lynch Institutional USD Fund	–	21,000	10,308	12.0
Total Open-ended Investment Funds	–	62,000	30,432	35.4
<i>Other investments held directly by the Company</i>				
<i>Common Stock**</i>				
Bakbone Software Inc	–	30	15	–
Broadcom Corporation Class A	–	21	11	–
DivX Inc	–	885	434	0.5
	–	936	460	0.5
<i>Campton Group Inc</i>				
Convertible Note	–	250	123	0.2
Promissory Note	–	200	98	0.1
Total other investments	–	1,386	681	0.8
Total investments	219,150	168,613	82,761	96.3
Net current assets		6,568	3,224	3.7
Net assets		175,181	85,985	100.0

* Stated at the adjusted June 2007 revaluation.

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

NOTES TO THE FINANCIAL STATEMENTS

at 30 September 2007

1 Financial information

The financial information contained in this 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 2007 and 30 September 2006 has not been audited nor reviewed by the Company's Auditor pursuant to the Auditing Practices Board guidance on such reviews.

The information for the year ended 31 March 2007 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditors on those financial statements contained no qualification or statement under sections 237 (2) or (3) of the Companies Act 1985.

2 Tax credit/charge on ordinary activities

The tax charge for the half-year is nil (30 September 2006: nil; 31 March 2007: nil) based on an estimated effective tax rate of 0% for the year ending 31 March 2008. The estimated effective tax rate is 0% as investment gains are exempt from Capital Gains Tax owing to the Company's status as an Investment Trust. There is expected to be an excess of management expenses over taxable income and therefore there is no liability to Corporation Tax during the half-year to 30 September 2007 (30 September 2006: nil; 31 March 2007: nil).

3 Reconciliation of net return before taxation to net cash inflow from operating activities

	<i>6 months to 30 September 2007 £'000</i>	<i>6 months to 30 September 2006 £'000</i>
Net return before taxation	229	279
(Decrease) / increase in creditors	(15)	39
Increase in prepayments and accrued income	(98)	(7)
Net cash inflow from operating activities	116	311

4 Reconciliation of net cash flow to net funds

	<i>2007 £'000</i>	<i>2006 £'000</i>
Increase in cash in the period	2,060	8,697
Effect of foreign exchange rate movements	(74)	(207)
Movement in net funds	1,986	8,490
Net Funds at beginning of the period	723	937
Net funds at the end of the period	2,709	9,427
Net funds are comprised as follows:		
	<i>2007 £'000</i>	<i>2006 £'000</i>
Cash at bank	2,709	9,427

5 Accounting policies

The financial statements are prepared on the basis of the accounting policies set out in note 2 of the annual financial statements for the year ended 31 March 2007.

Copies of the interim report may be obtained from the Company Secretary or downloaded from the website www.peiplc.com