

\* amended announcement confirming that the final results have been audited \*

30 April 2009

This announcement contains regulated information

## **NEW STAR PRIVATE EQUITY INVESTMENT TRUST PLC**

### **Annual Financial Report for the year ended 31 December 2008**

New Star Private Equity Investment Trust PLC (the "Company") today announces its annual results for the year ended 31 December 2008.

#### **Investment Objective**

The Company's investment objective is to produce capital gains through exposure to a diversified portfolio of private equity investments.

#### **Performance summary**

	<b>31 December 2008</b>	31 December 2007	Change
Net Asset Value (1)	£61.0m	£74.5m	-18.1%
Net Asset Value per share (1)	323.7p	377.6p	- 14.3%
Share price (2)	84.0p	299.0p	-71.9%
Discount (1)	74.1%	20.8%	N/A
FTSE All Share Index (2)	2,209.3	3,286.7	-32.8%
LPX Europe Index * (2)	189.2	402.1	-52.9%

\* The LPX Europe Index represents the most actively traded private equity companies traded on a European exchange.

Source: (1) New Star Asset Management Limited (2) Datastream

## **Chairman's Statement**

The last year was an extraordinarily difficult one for financial markets and a disappointing one for your Company. The consequences of the collapse of several large financial institutions and the reduction in the availability of financing for management buy-outs coupled with the falls in equity markets has had a detrimental impact on the valuation of your Company's investments. As a result the net asset value fell from 377.6p per Ordinary Share at 31 December 2007 to 323.7p at 31 December 2008 a fall of 14.3%. In the same period the FTSE All-Share Index fell by 32.8% and the LPX Europe Index fell by 52.9%.

### **Valuation**

At 31 December 2008 the value of the Company's investments, including cash and treasury bills, was £61.0 million. The value of the Company's interest in limited partnerships was £50.4 million, 29.0% of which is valued at cost. The year end valuation is based on the figures provided by the managers of the limited partnerships in which the Company invests. The Company has received audited accounts in respect of all of the limited partnerships except Parallel, Fondinvest and Zeus for each of which we have received unaudited management accounts to 31 December 2008. The various limited partnerships have made provisions against a number of the underlying investments and this is discussed in more detail in the Investment Review. In light of the current economic environment it is possible that the trading conditions for certain of the underlying investments may deteriorate and that further provisions may be made in subsequent quarters. Further information on the Company's limited partnership interests and the look-through investments is shown below.

### **Liquidity and Gearing**

Aggregated cash and money market balances were approximately £2.5 million at 31 December 2008. Including listed private equity vehicles, the Company currently has £6.2 million of liquidity. In addition, the Company has undrawn loan facilities of £30 million with the Bank of Scotland, £10 million until July 2010 and £20 million until July 2011.

The Board of Directors monitors closely the Company's cashflow and has considered the level of liquid assets, together with the timescales over which investments may be realised and outstanding commitments may be drawn down. It is the opinion of both the Board and the Manager that the Company has sufficient resources to meet its future commitments.

### **Investment activity**

During the year there were four full realisations of £4.7million, six partial realisations of £3.4 million and £16.7 million of drawdowns of commitments. New commitments of £18.0 million were made to two French mid-market buy-out funds and a secondary fund-of-funds.

### **Share price**

The most disappointing aspect of the year was the sharp fall in the Company's share price though this was a sector wide phenomenon. As a function of this fall, the shares moved from a discount to net asset value of approximately 20.8% at 31 December 2007 to a discount to net asset value of 74.1% at 31 December 2008.

There were several reasons for this.

Firstly, the lack of visibility regarding the valuations of private equity investments following the sharp fall in financial markets and deterioration in operating conditions for businesses led to a belief that there would be material provisions against the previous values put on investment portfolios.

Secondly, the consequence of the high level of debt that many private equity portfolio companies had taken on could result in, at a minimum, a significant impact on valuations.

Finally, that as a result of overcommitment policies, private equity funds would have insufficient cash to meet future commitments. This would then lead to either dilutive rights issues and/or private equity funds selling some of their limited partnership interests at significant discounts to their carrying values.

While the fall in the share price was understandable, against the background described above and the collapse of Lehman Brothers and bailout or part nationalisation of a number of other US and European banks, the degree of fall was extraordinary.

In the course of the year the Company bought back 882,000 Ordinary shares during the year, of which 50,000 were cancelled and 832,000 were placed into treasury. Against the sharp fall in share prices in the sector, however, it was felt that further buybacks would have no effect on the Company's share price or the level of discount. Nevertheless your Board is conscious of the need to seek to narrow the discount to net asset value and will therefore continue to review on a regular basis the Company's buyback policy with a view to do whatever is in the best interests of shareholders.

### **Dividend**

It is the Company's policy to pay dividends only to the extent required to maintain investment trust status. No dividend has been declared in respect of the year ended 31 December 2008 (2007: 0.66p per share). Shareholders should note that the level of dividend will vary from year to year, as the Company's income is expected to be changeable.

### **Manager**

New Star Asset Management Group PLC, the parent company of the Manager, was acquired by Henderson Group PLC ("Henderson Global Investors") with effect from 9 April 2009. Following this acquisition Nick Brind and Paul Craig have stepped down as fund managers to the Company and the Board would like to thank them for their efforts. Going forward the Company's assets will be managed by Ian Barrass who is head of Fund of Funds at Henderson Private Equity. The Board looks forward to working with Ian and his colleagues at Henderson Global Investors.

### **The Board**

John Duffield resigned as a Director of the Company with effect from 30 April 2009. The Board would like to thank him for his support for and contribution to the Company.

## **Change of name**

The Manager is now part of the Henderson Global Investors and the Board considers that it would be desirable for this to be reflected in the Company's name. Accordingly a resolution to change the Company's name to "Henderson Private Equity Investment Trust plc" will be proposed at the Annual General Meeting to be held on Wednesday, 17 June 2009 at 3.00 p.m.

## **Outlook**

As a result of the reduction in the availability of financing for management buy-outs, the number of transactions in the industry has fallen substantially. This has, however, had less impact on the Company than would have been expected in the circumstances reflecting its focus on mid-market buyout funds.

Furthermore, although the short-term operating environment remains difficult, the Company's focus on the mid-market buy-out sector and the experience and track-records of those managers that we have invested with should ensure that as and when conditions improve that the Company will provide attractive returns to shareholders.

**John Mackie CBE**

Chairman

30 April 2009

## **Investment Review**

The year ended 31 December 2008 proved a tumultuous period for financial markets and private equity was no exception. The consequences of the financial crisis had a significant impact on your Company including a slowdown in portfolio realisations, a decline in the net asset value and most notably, a sharp widening in the discount of the share price to net asset value.

### **Limited partnership interests**

During the course of the year new commitments totalling £18 million were made to three new limited partnership funds. All were European focused funds reflecting the Company's strategy to increase both manager and geographical diversification. In the French middle-market buyout sector new commitments were made to Astorg IV and Pragma II. A secondary specialist was also added via Fondinvest VIII as we anticipated an environment of distressed sellers of limited partnerships following a significant slowdown in realisations.

The level of new commitments is in stark contrast to the previous year. This reflects both the Manager's and the Board's view that a challenging economic environment and the scarcity of bank finance will markedly reduce portfolio realisations over the foreseeable future and thereby reduce the Company's ability to recycle capital. That said, this should not preclude the Company from participating in attractive investment opportunities thrown up by the economic recession since a number of funds within the portfolio have undrawn commitments.

### **New Investments**

Seventeen new investments with a combined value of £11.4 million were made during the year, primarily in the first half of 2008 through the Company's limited partnership interests. The largest, through August Equity Partners II ("AEP II"), was a £3.8 million investment in Enara. AEP II also invested £2.9 million in Accura Support Services ("Accura"). Enara is a leading independent provider of both private and social services-based home care in London and the Home Counties. It focuses on providing care for adults with learning difficulties and mental health needs and the elderly. Accura is a provider of highly specified mission critical components principally to the oil & gas and aerospace sectors.

Following the commitment to Astorg IV there was an immediate drawdown relating to three investments made in 2007: Ethypharm – a world leader in the development and manufacture of oral drug delivery systems; SCT Telecom – an innovative telecom services provider and the French leader in the SME market segment; and OGF – the French leading funeral services operator. There was also one new investment in 2008 in Photonis – a world leader in photo-detection. The four investments had a combined value of £2.5m. Similarly, the commitment to Pragma II resulted in an immediate drawdown for two investments made in 2007 while there was one new investment in 2008. The total drawdown for Pragma II was £1.1 million.

### **Realisations**

There were four realisations during the year totalling £4.7m, although much of this was achieved via the sale of Healthcare Homes Group, a specialist care home operator, by August Equity Partners I ("AEP I"), in a secondary buyout to Bowmark for 2.7 times the original investment. August backed the management buy-in in August 2005 when the group consisted of only four homes and 100 beds which had been expanded through acquisition to 21 homes and over 800 beds by the date of the disposal. There were also three partial realisations from AEP I involving Hat Trick, Planit Holdings and Imagine Publishing.

Rutland I also returned capital via a partial realisation of Wolstenhome Group, a manufacturer of pigments and coatings. Rutland had already announced that Wolstenhome had sold certain assets and goodwill of its metallic effect pigment and metallic printing business and following this latest disposal the valuation largely represents the value of the company's premises.

### **Listed Private Equity**

Listed private equity trusts endured a torrid year amid a constant stream of worries that wore down even the most loyal of supporters. To put this into perspective, the LPX Europe Index fell 52.9% during the year compared with the FTSE All-Share Index which fell 32.8%. Initially, investors focused on fears of corporate failure among the underlying portfolio companies. These fears were exacerbated by a lack of transparency and poor liquidity compared with more generalist investment companies. As the year progressed and the financial crisis became more pronounced, investors in listed private equity trusts were exposed to the fear that certain trusts might have difficulty in their ability to honour outstanding commitments to limited partnerships given the dramatic slowdown in portfolio realisations and the reduced availability of bank debt. Somewhat ironically, managers of private equity trusts had, in the past, been criticised for an inefficient use of their balance sheets. This inevitably led to many trusts over-committing to new limited partnerships to reduce the effects of 'cash drag'. In the current environment, however, those trusts which have employed a more aggressive over-commitment strategy have been forced to address the strength of their balance sheets. This has resulted in asset disposals and capital fund raisings.

New Star Private Equity Investment Trust has avoided those trusts most exposed to the current downturn, such as those with an aggressive over-commitment strategy or focused on large leverage buyouts. Even the trusts with the most respected managers endured falling net asset values and a significant widening in discounts to net asset value. While we are acutely aware of the lack of visibility in corporate earnings, difficulty in obtaining bank finance and the over-commitment issue we remain confident that our managers are positioned to weather the current financial storm while the large discounts to net asset value provide some comfortable room for error.

### **Valuations**

Amid a background of economic recession, a sharp fall in the value of equity markets and the credit crisis there has been a number of downward pressures on valuing private equity businesses. Historically, private equity managers have been able to offset operational improvements against a decline in either top line growth or comparable multiples. However, the speed and severity of the current downturn has proved challenging for many managers and/or companies, especially those with considerable levels of leverage. Furthermore, even companies that have performed well, have, in many cases seen a decline in comparable multiples and therefore their own valuation. Nevertheless, it is also true that private equity managers have better access to information, greater control over their investments and in many cases operational expertise and experience. Consequently, crucial decisions can be taken early and we have witnessed these measures first hand within the portfolio.

**Outlook**

Current market conditions are undeniably challenging and the immediate prospects for all businesses remain uncertain. The crisis in the global financial system has reduced credit availability and the ability of investors to finance new transactions. Simultaneously, the sharp downturn in the economy has put enormous pressure on corporate profits. Although not immune from these pressures, we remain confident in our managers' ability to create value through varying financial and economic environments over the longer-term. In the short-term the prerequisite skills will be to monitor and manage portfolio companies closely, taking action to protect and enhance value and detailed attention to banking agreements. The best private equity managers find opportunity in change and thrive on adapting to it.

The corollary of the current economic environment is that it will create significant opportunities for many private equity managers. Lower valuations in public equity markets should provide the opportunity for managers to acquire high quality businesses at attractive prices. In addition, an increasing number of businesses will need to restructure, refinance or drive operational change which should further increase opportunities. Consequently, the overriding aim is to ensure the Company preserves a strong balance sheet through current financial and economic difficulties so that it remains well positioned to benefit from the longer term opportunities.

New Star Asset Management Limited  
Manager

30 April 2009

## Investment Portfolio

The Company's investments at 31 December 2008 were:

Company	Category	Country	Valuation £000	% of Portfolio
August Equity Partners I	Limited Partnership	UK	11,380	18.4
Rutland Fund I	Limited Partnership	UK	10,795	17.4
Parallel Ventures 2006	Limited Partnership	UK	9,820	15.9
August Equity Partners II	Limited Partnership	UK	9,555	15.4
Astorg IV	Limited Partnership	France	2,927	4.7
Logic Group	Direct investment	UK	2,500	4.0
Fondinvest Capital	Limited Partnership	France	1,884	3.0
Century Capital Partners Fund IV	Limited Partnership	US	1,538	2.5
Rutland Fund II	Limited Partnership	UK	1,197	1.9
Evolve India	Listed	UK	1,002	1.6
<b>Ten largest investments</b>			<b>52,598</b>	<b>84.8</b>
HG Capital Trust	Listed	UK	993	1.6
Graphite Enterprise	Listed	UK	920	1.5
Quorum Oil & Gas Technology	Listed	UK	884	1.4
Reconstruction Capital	Listed	UK	640	1.0
Pragma II	Limited Partnership	France	608	1.0
SVG Capital 8.25% Convertible Loan Stock	Listed	UK	525	0.8
Renewable Energy Generation	Listed	UK	497	0.8
ARC Capital	Listed	UK	332	0.5
Private Equity Investor	Listed	UK	296	0.5
Wendel Investments	Listed	France	288	0.5
<b>Twenty largest investments</b>			<b>58,541</b>	<b>94.4</b>
Dinamia	Listed	Spain	280	0.4
Elderstreet Capital Partners	Limited Partnership	UK	275	0.4
Zeus Private Equity	Limited Partnership	UK	263	0.4
Lyceum Capital Fund II	Limited Partnership	UK	166	0.3
China Growth Opportunities	Listed	UK	55	0.1

KB Fund III B	Limited Partnership	UK	19	0.0
KB Fund III	Limited Partnership	UK	8	0.0
<b>Total investments</b>			<b>59,607</b>	<b>96.0</b>
French (Govt) 4% 12/09/2009			1,472	2.4
Cash			968	1.6
<b>Total Portfolio</b>			<b>62,047</b>	<b>100.0</b>

## Portfolio Analysis

### Type of investment

<u>Type of investment</u>	Percentage of portfolio 2008	Percentage of portfolio 2007
Limited partnerships	81%	71%
Listed funds	11%	13%
Cash and treasury	4%	12%
Direct investment	4%	4%

### Geographic exposure (“look-through”)

<u>Country or region</u>	Percentage of portfolio <u>2008</u>	Percentage of portfolio <u>2007</u>
UK	68%	82%
Europe	25%	13%
North America	4%	1%
India	2%	2%
China	1%	2%

### Sector exposure of limited partnerships

<u>Sector</u>	Percentage of portfolio <u>2008</u>	Percentage of portfolio <u>2007</u>
Healthcare	28%	18%
Technology	21%	16%
Financial	13%	24%
Services	12%	10%
Industrial	12%	14%
Goods	9%	13%
Other	5%	5%

### Limited partnership by vintage

<u>Vintage</u>	<u>Percentage of portfolio</u> <u>2008</u>	<u>Percentage of portfolio</u> <u>2007</u>
Less than 1 year	18%	21%
1 – 2 years	28%	52%
2 – 3 years	39%	11%
More than 3 years	15%	16%

### Valuation basis of limited partnerships

<u>Valuation basis</u>	<u>Percentage of portfolio</u> <u>2008</u>	<u>Percentage of portfolio</u> <u>2007</u>
Earnings	71%	72%
Cost	29%	28%

## **Limited Partnerships**

### **August Equity Partners**

August Equity Partners provides equity capital for management buy-outs, buy-ins, development capital and replacement capital in growing businesses. They invest between £10 million and £50 million of equity in UK companies in the healthcare, media and technology, industrial products and services and business services sectors.

[www.augustequity.com](http://www.augustequity.com)

### **Rutland Partners**

Rutland Partners (“Rutland”), founded in 1986, invests in UK companies facing difficult strategic challenges or which may be underperforming, in need of restructuring or entering a period of change. Rutland does not focus on any specific sectors and provide equity for management buy-outs, buy-ins, public-to-privates, turnarounds, secondary purchases and replacement capital. They invest between £10 million and £50 million of equity per investment into UK companies valued at between £20 million and £200 million.

[www.rutlandpartners.com](http://www.rutlandpartners.com)

### **Parallel Private Equity**

Established in 1997 Parallel Private Equity (“Parallel”) operates formal co-investment agreements with a number of UK and European mid-market private equity managers. In this time they have invested more than £1.3 billion in over 330 deals. In realising over 220 deals to date, in excess of £1.9 billion has been returned to investors. They will invest up to £10 million of equity per transaction in companies valued at between £10 million to £400 million.

[www.parallelprivateequity.com](http://www.parallelprivateequity.com)

### **Astorg Partners**

Astorg Partners (“Astorg”) is an independent French private equity manager whose origins date back to 1983 when it was created as a joint-venture between SUEZ and state-owned Institut de Développement Industriel. Astorg will invest at least €15 million of equity in companies primarily in the healthcare, professional services and retail sectors valued between €100 million and €800 million.

[www.astorg-partners.com](http://www.astorg-partners.com)

### **Lyceum Capital**

Established in 1999, and formerly known as West Private Equity prior to their buy-out from West LB, Lyceum Capital invests in UK companies valued at between £10 million and £75 million in most segments of the UK business and consumer service industries, where consolidation strategies can be actively pursued. They will invest in companies requiring between £10 million and £40 million in equity.

[www.lyceumcapital.co.uk](http://www.lyceumcapital.co.uk)

## **Fondinvest**

Fondinvest was founded in 1994 and is a specialist primary fund of funds and secondary funds investor and launched one of the first secondary funds in Europe in 1996. They currently manage over €2 billion in private equity funds and have offices in Paris, Tokyo and San Francisco.

[www.fondinvest.com](http://www.fondinvest.com)

## **Century Capital Management**

Century Capital Management (“Century”) is a Boston based investment adviser whose origins date back to 1928. It formed its first private equity fund in 1987 and specialises in the middle market financial services industry with a focus on insurance. Century will invest equity of between US\$10 million and US\$30 million in individual transactions.

[www.centurycap.com](http://www.centurycap.com)

## **Pragma Capital**

Pragma Capital is a French private equity manager founded in 2002, in a spin-out from Crédit Agricole and Crédit Lyonnais that focuses on the French middle-market. They will typically invest between €10 million to €35 million into companies, across a wide variety of sectors, valued at between €50 million and €250 million.

[www.pragmacapital.fr](http://www.pragmacapital.fr)

## **Elderstreet**

Elderstreet is a UK venture capital fund manager investing in early stage businesses within the UK. It typically provides between £0.5 million and £5.0 million funding for MBOs and development capital. Elderstreet invests in a range of industry sectors and has a specialist technology practice investing in the software and computer services market.

[www.elderstreet.com](http://www.elderstreet.com)

## **Zeus Private Equity**

Zeus Private Equity (“Zeus”) was formed in 2005 by a team who had previously worked together at Aberdeen Murray Johnstone Private Equity. Zeus provides funding for management buy-outs, buy-ins, equity release and restructuring opportunities for businesses in the UK valued at up to £50 million in a wide range of sectors.

[www.zeusprivateequity.co.uk](http://www.zeusprivateequity.co.uk)

## 10 Largest “Look-through” Investments

### Notemachine

Limited partnership	Rutland Fund I
Valuation	£4.118m
Percentage of Portfolio	6.6%

Rutland formed Notemachine in September 2006 via a recommended offer for AIM-listed Scott Tod, a UK company involved in the provision of ATM services throughout the UK. In January 2007, Rutland acquired TRM (ATM) Limited, a complementary business involved in the deployment of ATMs in the UK and Germany. The combined business currently operates approximately 6,000 ATMs in the UK. At the year-end the investment was written down by 65%.

[www.notemachine.com](http://www.notemachine.com)

### Liberty Acquisitions (“Lifeways Community Care Group”)

Limited partnership	August Equity Partners I
Valuation	£4.026m
Percentage of Portfolio	6.5%

Lifeways is a market leading provider of supported living for people with complex needs and is the only provider offering nationwide coverage. Lifeways offers specialist care to over 900 people with challenging needs, including autism, psychiatric or learning disabilities and acquired brain injuries, in their own home or a community setting.

[www.lifeways.co.uk](http://www.lifeways.co.uk)

### Enara

Limited partnership	August Equity Partners II
Valuation	£3.981m
Percentage of Portfolio	6.4%

Enara is a leading provider of both private and social services-based home care in London and the Home Counties. It focuses on care for the elderly and adults with learning difficulties and mental health needs.

## **Advantage Healthcare Group**

Limited partnership	Rutland Fund I
Valuation	£3,338
Percentage of Portfolio	5.4%

Advantage Healthcare was formed following the acquisition of a group of healthcare-staffing businesses from BUPA and specialises in flexible healthcare staffing. It has a significant database of temporary nurses, doctors, allied health professionals and carers which provides to the NHS, BUPA and other private carers to cover staff shortfalls and fluctuating workloads. At the year-end the investment was written down by 23%.

[www.advantagehealthcare.com](http://www.advantagehealthcare.com)

## **Accura**

Limited partnership	August Equity Partners II
Valuation	£3.049m
Percentage of Portfolio	4.9%

Accura is a provider of highly specified mission critical components primarily to the oil and gas and aerospace sectors. Accura operates as two separate divisions: supply chain services under the brands Liniv and Concept and technical contract services under the brands Accura Geometric and Accura Geneva.

[www.accura.co.uk](http://www.accura.co.uk)

## **Rollford Holdings (“Rixonway”)**

Limited partnership	August Equity Partners I
Valuation	£2.646m
Percentage of Portfolio	4.3%

Rixonway is a UK kitchen manufacturing business dedicated to providing kitchens for community regeneration and has over 25 years experience in social housing and the public sector. It is a key supplier to many local authorities, purchasing consortia, registered social landlords, arms length management organisations and major regeneration contractors involved in social housing refurbishment in the UK.

[www.rixonway.co.uk](http://www.rixonway.co.uk)

## **Logic Group**

Limited partnership	Direct investment
Valuation	£2,500m
Percentage of Portfolio	4.0%

The Logic Group through its software delivers the secure provision of card transaction processing, loyalty and insight programmes as well as IT services consultancy for many of Europe's leading businesses. Logic's customers include Norwich Union, HBOS, Arcadia, BP, B&Q, Comet, Dixons, Fortnum & Mason, RBS, Tesco, Vodafone and Manchester United.

[www.the-logic-group.com](http://www.the-logic-group.com)

## **Boat International**

Limited partnership	August Equity Partners I
Valuation	£2.416m
Percentage of Portfolio	3.9%

Boat International ("Boat") is an international publisher of market leading magazines and websites and an events organiser targeted at the super yacht industry. Boat produces over 1.4 million magazines each year that sell in over 57 countries worldwide and are published in six different languages. They organise 8 annual events across the world in London, Monaco, Fort Lauderdale, Venice, Port Cervo and New York.

[www.boatinternational.com](http://www.boatinternational.com)

## **Wolstenholme Group**

Limited partnership	Rutland Fund I
Valuation	£1.837m
Percentage of Portfolio	3.0%

Wolstenholme Group was a division of Wolstenholme Rink acquired in July 2000. It is a leading manufacturer of pigments and coatings for the print industry. In June 2007 Rutland announced that Wolstenholme had sold certain assets and goodwill of its metallic effect pigment and metallic printing business to Eckart GmbH and Co. Wolstenholme retains its carbon black dispersions business in the US and Ronald Britton in the UK.

## **4Projects**

Limited partnership	August Equity Partners II
Valuation	£1.754m
Percentage of Portfolio	2.8%

4Projects is a leading provider of project collaboration solutions. The solutions are delivered via software principally to the architecture, engineering and constructions sectors. 4Projects solutions are used to co-ordinate large scale, multi-party construction projects and for the management of complex or diverse property estates. The company has a blue chip customer base and recent projects include the construction of Arsenal's Emirates Stadium and the OCS stand at the Brit Oval.

[www.4projects.com](http://www.4projects.com)

## **Business Review**

The Business Review is designed to give shareholders an insight into the operations of the Company. Further information on the Company's activities and prospects may be found in the Chairman's Statement and the Investment Review.

### **Investment Objective**

The Company's investment objective is to produce capital gains through exposure to a diversified portfolio of private equity investments.

### **Investment Policy**

The Company seeks to achieve its investment objective through a policy of investing principally in limited partnership interests and listed vehicles exposed to private equity investments or other similar strategies. The main focus of these investments is mid-market buyout funds in the UK and Europe. The Company may also invest in cash, quoted companies, fixed income securities, debt instruments and other alternative asset funds.

Where the Directors and the Manager believe that it would be beneficial to do so, the Company may make direct investments in unquoted companies. It is expected any such investments will be co-investments alongside private equity managers with which the Company or Manager has existing investments.

The Company intends to reduce the "cash-drag" effect by investing its uncommitted assets and committed but un-drawn assets in listed private equity funds to gain investment exposure to private equity and also by employing a policy of over-commitment. An over-commitment policy means that the Company may commit more than its available uncommitted assets to limited partnerships on the basis that such commitments can be managed by anticipating future cash flows to the Company and through the use of borrowings where necessary.

It is expected that the portfolio will be fully invested in most market conditions although the Company may maintain a large cash weighting from time to time to manage its over-commitments policy, to protect capital returns or pending identification of appropriate investment opportunities. The Company may enter into derivative transactions for the purpose of efficient portfolio management hedging (for example, interest rate, currency or market exposure).

In order to comply with the requirements for investment trust status, the exposure to any one company will not exceed 15% of total assets at the time of investment. The Company may invest more than 15% of its total assets in other UK listed investment companies.

The Board has established guidelines with a view to spreading investment risk. The principal guidelines are that:

- at least 25% of total assets must be invested in private equity funds which themselves principally invest in the UK and Europe;
- up to 25% of total assets may be invested in private equity funds which principally invest outside of the UK and Europe;
- the total value of investments in listed private equity funds should not exceed 50% of total assets;
- the total value of direct unquoted investments will represent no more than 25% of the Company's net assets at the point of purchase;

- cash should not exceed 30% of total assets; and
- the Company may utilise gearing representing up to 30% of its total assets at the point of drawdown.

Information on how the Company has invested its assets with a view to spreading investment risk in accordance with its investment policy is set out above.

### **Performance**

The performance of the Company is reviewed regularly by the Board using the following key performance indicators:

- net asset value movement
- share price movement.

In the year ended 31 December 2008 the Company's NAV per share fell from 377.6p to 323.7p, a decrease of 14.3%, whilst the share price fell by 71.9% from 299.0p to 84.0p. In the same period the FTSE All Share Index fell by 32.8%. An analysis of performance during the year may be found in the Chairman's Statement and the Investment Review.

The Board also monitors the discount of the NAV per share to the share price. At 31 December 2008 the discount was 74.1% compared to 20.8% at 31 December 2007.

### **Regulatory environment**

The Company is an investment trust and is subject to the rules governing investment trust status laid down in the Income and Corporation Taxes Act 1988. The Company has been approved by HM Revenue & Customs as an investment trust for the year ended 31 December 2007. Approval for the year ended 31 December 2007 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. In the opinion of the Directors the Company has conducted its affairs so that it qualified as an investment trust during the year ended 31 December 2008 and subsequently. The Company is an investment company under Section 266 of the Companies Act 1985.

The Company is listed on the London Stock Exchange. It must therefore conduct its activities in accordance with the Listing Rules and Disclosure and Transparency Rules published by the Financial Services Authority.

### **Risk Management**

The principal risks associated with the Company include the following:

#### *Investment strategy*

Inappropriate long-term strategy, asset allocation and manager selection might lead to the underperformance of the Company. The Board regularly considers the Company's strategy, asset allocation, investment selection and performance.

#### *Long term nature of private equity investments*

Private equity investments are long-term in nature and it may take several years before they can be realised.

#### *Financial risks of private equity*

A substantial proportion of the Company's assets are invested in limited partnerships which invest in private companies. These unquoted investments are less readily marketable than quoted securities. In addition, such investments may carry a higher degree of risk than quoted securities.

#### *Valuation uncertainty*

In valuing its investments in unlisted private equity funds or limited partnerships and in calculating its net asset value, the Company relies to a significant extent on the accuracy of financial and other information provided by these funds to the Manager. Limited partnerships typically only provide updated valuations on a quarterly or six-monthly basis.

#### *Regulatory risk*

Failure to comply with applicable legal and regulatory requirements could lead to the suspension or loss of the Company's Stock Exchange listing or result in financial penalties. Breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the loss of the Company's investment trust status, leading to the Company being subject to tax on its capital gains.

#### *Manager*

The quality of the management team employed by the Manager is an important factor in delivering good performance and the loss by the Manager of key staff could adversely affect investment returns. In addition, the failure of the Manager's core fund management systems might lead to the loss of data or inaccurate reporting. The performance of the Manager is reviewed by the Board on an ongoing basis. In addition, the Board undertakes a formal review each year.

#### *Business conditions and general economy*

The Company's investment returns are influenced by general economic conditions in the UK and globally. Factors such as interest rates, inflation, investor sentiment and the availability and cost of credit could adversely affect the performance of both the Company and its underlying investments.

The Company's assets are invested on a fund-of-funds basis. This helps mitigate investment risk by providing access to a range of different private equity funds and private equity managers. In addition, the underlying portfolio is diversified across a spread of different vintages, sectors and countries. The Board regularly monitors the Company's asset allocation, investment selection and performance. A detailed analysis of the portfolio may be found above.

#### **Dividends**

The Company has a policy of only paying dividends to the extent necessary to comply with investment trust status. Therefore, to the extent that there is net income within an accounting period, the Directors intend to declare dividends such that no more than 15% of the Company's investment income for the accounting period is retained.

No dividend has been declared in respect of the year ended 31 December 2008 (2007: 0.66p per share).

#### **Share capital**

At 31 December 2008 there were 18,850,212 (2007: 19,732,212) shares in issue, together with a further 832,000 (2007: nil) shares held in treasury.

In the year ended 31 December 2008 the Company repurchased a total of 882,000 shares at prices between 254.0p and 262.0p per share. Of these shares 832,000 are held in treasury, whilst 50,000 shares were cancelled. In the year ended 31 December 2007 a total of 10,881,800 shares were repurchased at prices between 310.0p and 342.0p per share; all of the shares repurchased during 2007 were cancelled.

No shares were issued during the year under review (2008: 3,534,512 shares).

### **Management**

In common with most investment trusts, the Company does not have any executive directors or employees. The day-to-day management and administration of the Company, including investment management, is delegated to New Star Asset Management Limited. On 9 April 2009 the parent company of the Manager, New Star Asset Management Group PLC, was acquired by Henderson Group plc ("Henderson")

Under the terms of the investment management agreement, New Star receives a fee, payable monthly in arrears, equivalent to 1.25% per annum of the Company's assets invested in limited partnerships and direct private equity interests and 0.75% per annum on the remainder of the Company's assets. No management fee is payable by the Company in respect of any asset invested in funds managed New Star. New Star will also be entitled to an annual performance fee of 10% of any return in excess of 8% per annum. The Investment Management Agreement may be terminated by either party by giving 12 months notice in writing, subject to there being an initial period of 24 months which ends on 1 July 2009.

The Board monitors the performance of the Manager and considers that the continuing appointment of the Manager is in the interests of shareholders as a whole. In carrying out its review, the Board considered the past investment performance of the Company, the capability and resources of the Manager and the terms and conditions of the management agreement.

### **Employee, environmental and community issues**

The Company does not have any employees, with the day-to-day management and administration of the Company being delegated to the Manager. New Star Asset Management Limited manages the Company's portfolio in accordance with the investment objective and policy; environmental, social and community matters are considered to the extent that they impact on the Company's investment returns. The Manager's parent company, Henderson, has implemented environmental management practices, which includes systems to limit the use of non-renewable resources and minimise the impact of operations on the environment where possible.

### **Going Concern**

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. In forming this judgement the Directors have considered the level of the Company's liquid assets (including its committed £30 million loan facility) and the likely timescales over which investments are likely to be realised and outstanding commitments are likely to be drawn down. In light of these factors, the Directors consider that it is appropriate to adopt the going concern basis in preparing these accounts.

New Star Asset Management Limited, Secretary

30 April 2009

## **Statement under Disclosure and Transparency Rule 4.1.12**

The Directors of the Company each confirm to the best of their knowledge that:

- a) the financial statements have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board of Directors  
Terry Connor  
Director

30 April 2009

**Audited Income Statement**  
for the 12 months ended 31 December 2008

	Notes	Year to 31 December 2008			Year to 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses) / gains on investments held at fair value through profit or loss		–	(11,105)	(11,105)	–	11,212	11,212
Gains on foreign exchange		–	99	99	–	21	21
Income	2	2,378	–	2,378	2,323	–	2,323
Investment Management fee	3	(377)	–	(377)	(913)	(323)	(1,236)
Administration expenses		(934)	–	(934)	(553)	(1,018)	(1,571)
<b>Return on ordinary activities before finance costs and taxation for the financial year</b>		<b>1,067</b>	<b>(11,006)</b>	<b>(9,939)</b>	857	9,892	10,749
Interest payable and similar charges		(70)	–	(70)	(176)	–	(176)
<b>Return on ordinary activities before taxation for the financial year</b>		<b>997</b>	<b>(11,006)</b>	<b>(9,923)</b>	681	9,892	10,573
Taxation		(1,066)	–	(1,066)	(290)	97	(193)
<b>Return on ordinary activities after finance costs and taxation for the financial year</b>		<b>(69)</b>	<b>(11,006)</b>	<b>(11,075)</b>	391	9,989	10,380
<b>Return per Ordinary Share (based on average number of shares in financial year)</b>		<b>(0.4p)</b>	<b>(57.0p)</b>	<b>(57.4p)</b>	1.7p	42.6p	44.3p
<b>Number of Ordinary Shares in issue at year end</b>				<b>18,850,212</b>			19,732,212
<b>Average number of Ordinary Shares in issue during the year</b>				<b>19,280,488</b>			23,436,058

The total columns of this statement are the profit and loss account for the Company and the revenue and capital columns represent supplementary information. The total columns represent all the information required to be disclosed in the Statement of Total Recognised Gains and Losses ("STRGL"). For this reason a STRGL is not presented.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the current or prior year.

The notes which follow form an integral part of these financial statements.

**Audited Reconciliation of Movement in Shareholders' Funds**  
for the year ended 31 December 2008

Year ended 31 December 2008

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Revaluation capital reserve £'000	Revenue Reserve £'000	Shareholders' funds £'000
<b>Balance at 1 January 2008</b>	987	17,321	702	35,840	18,036	1,630	74,516
Net loss on listed investments	-	-	-	(246)	-	-	(246)
Net gain on unlisted investments	-	-	-	3,601	-	-	3,601
Transfer on disposal of investments	-	-	-	86	(86)	-	-
Decrease in unrealised appreciation on unlisted investments	-	-	-	-	(14,460)	-	(14,460)
Net gains on foreign exchange	-	-	-	99	-	-	99
Dividends paid	-	-	-	-	-	(130)	(130)
Revenue attributable to Ordinary Shareholders	-	-	-	-	-	(69)	(69)
Shares bought back and cancelled	(3)	-	3	(128)	-	-	(128)
Shares bought back and held in treasury	-	-	-	(2,169)	-	-	(2,169)
<b>Balance at 31 December 2008</b>	<b>984</b>	<b>17,321</b>	<b>705</b>	<b>37,083</b>	<b>3,490</b>	<b>1,431</b>	<b>61,014</b>

The notes which follow form an integral part of these financial statements.

**Audited Reconciliation of Movement in Shareholders' Funds**  
for the year ended 31 December 2008

Year ended 31 December 2007

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Revaluation capital reserve £'000	Revenue Reserve £'000	Shareholders' funds £'000
Balance at 1 January 2007	1,354	5,145	158	70,887	9,271	2,661	89,476
Net loss on listed investments	-	-	-	(1,231)	-	-	(1,231)
Net loss on unlisted investments	-	-	-	(6,680)	-	-	(6,680)
Transfer on disposal of investments	-	-	-	10,358	(10,358)	-	-
Increase in unrealised appreciation on listed investments	-	-	-	-	19	-	19
Increase in unrealised appreciation on unlisted investments	-	-	-	-	19,104	-	19,104
Net gains on foreign exchange	-	-	-	21	-	-	21
Dividends paid	-	-	-	-	-	(1,422)	(1,422)
Revenue attributable to Ordinary Shareholders	-	-	-	-	-	391	391
Share buy-backs	(3)	-	3	(156)	-	-	(156)
Capital reorganisation	(364)	12,176	541	(36,115)	-	-	(23,762)
Performance fee	-	-	-	(226)	-	-	(226)
Reconstruction expenses	-	-	-	(1,018)	-	-	(1,018)
Balance at 31 December 2007	987	17,321	702	35,840	18,036	1,630	74,516

The notes which follow form an integral part of these financial statements.

**Audited Balance Sheet**  
at 31st December 2008

	2008 £'000	2007 £'000
<b>Fixed assets</b>		
Investments	61,079	71,150
<b>Current assets</b>		
Debtors	197	969
Cash at bank	2,277	5,173
	2,474	6,142
<b>Creditors</b>		
Amounts falling due within one year	(2,539)	(2,776)
<b>Net current assets</b>	790	3,366
<b>Net assets</b>	61,014	74,516
<b>Capital and reserves</b>		
Called up share capital	984	987
Share premium	17,321	17,321
Capital redemption reserve	705	702
Capital reserve	40,573	53,876
Revenue reserve	1,431	1,630
<b>Shareholders' funds</b>	61,014	74,516
<b>Net asset value per Ordinary Share</b>	323.7p	377.6p

Approved by the Board of Directors on 30 April 2009.

The notes which follow form an integral part of these financial statements.

**Audited Cash Flow Statement**  
for the year ended 31 December 2008

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Net cash (outflow) / inflow from operating activities</b>	<b>550</b>	1,365
<b>Taxation</b>		
Tax paid	119	(313)
<b>Financial investment</b>		
Purchase of listed fixed asset investments	<b>(13,228)</b>	(14,849)
Purchase of unlisted fixed asset investments	<b>(16,395)</b>	(49,636)
Sale of listed fixed asset investments	<b>15,288</b>	44,727
Sale of unlisted fixed asset investments	<b>13,056</b>	44,997
Net cash (outflow) / inflow from financial investment	<b>(1,279)</b>	25,239
<b>Equity dividends paid</b>	<b>(130)</b>	(1,422)
<b>Net cash inflow before financing</b>	<b>740</b>	24,869
<b>Financing</b>		
Issue of Ordinary Shares	-	12,353
Purchase of Ordinary Shares for cancellation	<b>(2,297)</b>	(36,271)
Bank interest paid	<b>(74)</b>	(169)
Reconstruction costs	-	(1,018)
<b>Decrease in cash</b>	<b>(3,111)</b>	(236)
Net funds at start of the year	<b>3,980</b>	4,195
Gains on foreign exchange	<b>99</b>	21
<b>Net funds at the end of the year</b>	<b>968</b>	3,980

The notes which follow form an integral part of these financial statements.

## Notes

### 1 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable United Kingdom accounting standards.

The Company is not an investment company within the meaning of Section 833 of the Companies Act 2006. However, it conducts its affairs as an investment trust for taxation purposes under Section 842 of the Income and Corporation Taxes Act 1988. As such, the Directors consider it appropriate to present the accounts in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the "SORP"), as issued by the Association of Investment Companies in December 2005. Under the SORP, the financial performance of the Company is presented in an Income Statement in which the total column is the profit and loss account of the Company. Additional disclosure of the total revenue is provided by including the revenue and capital column analysis, which the Directors consider better demonstrates revenue profits available for distribution by dividend. The Directors therefore consider that the departures from the specified provisions of Schedule IV of the Companies Act 1985, relating to the format of accounts for companies that are investment companies, are appropriate to give a true and fair view. The departures have no effect on total return or on the balance sheet.

### 2 Income

	2008 £'000	2007 £'000
<b>Income from fixed asset investments</b>		
Franked income:	<b>86</b>	
Dividends from unlisted UK investments	-	1
Unfranked income:		
Dividends from listed overseas investments	<b>119</b>	-
Distribution from UK unlisted investments	<b>1,730</b>	723
Listed UK treasury gilts	<b>90</b>	1,155
Listed UK loan stock investments	<b>35</b>	-
Listed overseas treasury gilts	<b>90</b>	-
	<b>2,064</b>	1,878
Total income from fixed asset investments	<b>2,150</b>	1,879
<b>Other income</b>		
Deposit interest	<b>168</b>	347
Other income	<b>60</b>	97
	<b>228</b>	444
	<b>2,378</b>	2,323
<b>Income from fixed asset investments</b>		
Listed	<b>420</b>	1,155
Unlisted	<b>1,730</b>	724
	<b>2,150</b>	1,879



### 3 Investment management fee

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Investment management fee – charged to revenue	<b>803</b>	913
VAT on management fee recovered	<b>(426)</b>	-
Performance fee – charged to capital	<u>-</u>	<u>323</u>
	<u><b>377</b></u>	<u>1,236</u>

The investment management agreement provides for a management fee of 1.25% per annum of the Company's assets (at valuation) invested in limited partnerships and direct private equity interests and 0.75% per annum on the remainder of the Company's assets. No management fee is payable by the Company in respect of any asset invested in funds managed by the Manager or its associates. The Company's Manager will be entitled to an annual performance fee of 10% of any return in excess of 8% per annum.

The investment management agreement may be terminated by either party by giving 12 months notice in writing, subject to there being an initial period of 24 months which ends on 1 July 2009. Prior to 2 July 2007, the Company's manager was August Equity Management Limited ("August Equity") and a fee of 1.25% of the net asset value of the Company was payable. At 31 December 2008 management fees of £146,000 (2007: £212,000) and performance fees of £nil (2007: £323,000) were payable to the Manager. As the performance fee is expected to be driven by capital appreciation, the Directors have determined that it should be charged to the capital account.

Investment management fees are no longer subject to VAT. In recognition that VAT was paid in error prior to 2008, the Company has recovered from HM Revenue & Customs, via August Equity, VAT amounting to £426,000.

### 4 Dividend

No dividend has been declared in respect of the year ended 31 December 2008 (2007: 0.66p per share).

## 5 Return per ordinary share

	<b>2008 Revenue £'000</b>	<b>2008 Capital £'000</b>	<b>2008 Total £'000</b>
Attributable to ordinary shareholders	<b>(69)</b>	<b>(11,006)</b>	<b>(11,075)</b>
Return per ordinary share	<b>(0.4p)</b>	<b>(57.0p)</b>	<b>(57.4p)</b>
	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Attributable to ordinary shareholders	391	9,989	10,380
Return per ordinary share	1.7p	42.6p	44.3p

The return per ordinary share is based on the weighted average of 19,280,488 ordinary shares in issue (2007: 23,436,058). At the year end there were 18,850,212 ordinary shares in issue (2007: 19,732,212).

## 6 Related party transactions

During the year under review Mr Duffield was a Director of the Company and Chairman of the Manager, New Star Asset Management Limited. Details of the contractual arrangements between the Company and the Manager may be found in the Business Review and in note 3 above. Mr Duffield resigned as a Director of the Company with effect from 30 April 2009 and resigned as Chairman and Director of the Manager with effect from 9 April 2009.

## 7 2007 Financial information

The figures and financial information for 2007 are an extract of the Annual Report and Financial Statements for the year ended 31 December 2007 and do not constitute statutory accounts. The Annual Report and Financial Statements for the year ended 31 December 2007 have been delivered to the Registrar of Companies and included the Report of the Independent Auditors which was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985.

## 8 2008 Financial information

The figures and financial information for 2008 are an extract of the Annual Report and Financial Statements for the year ended 31 December 2008 and do not constitute statutory accounts. The Annual Report and Financial Statements for the year ended 31 December 2008 includes the Report of the Independent Auditors which was unqualified and did not contain a statement under s237(2) or (3) of the Companies Act 1985. The Annual Report and Financial Statements have not yet been delivered to the Registrar of Companies.

## **9 Annual Report and Financial Statements**

The Annual Report and Financial Statements will be posted to shareholders in May 2009 and will be available on the Company's webpage:

[www.itshenderson.com/privateequitytrust](http://www.itshenderson.com/privateequitytrust)

or in hard copy format from the Registered Office, 201 Bishopsgate, London EC2M 3AE.

The Annual General Meeting will be held on Wednesday, 17 June 2009 at 3.00 p.m. at the offices of Henderson Global Investors, 201 Bishopsgate, London EC2M 3AE.

By Order of the Board  
New Star Asset Management Limited, Secretary  
30 April 2008

### **For further information please contact:**

Ian Barrass, Henderson Global Investors, 020 7818 2964