

Henderson Private Equity Investment Trust plc

Half-year report to 30 June 2010



Henderson Private Equity Investment Trust plc

Objective*

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

Policy*

The main focus of the portfolio is mid-market buy-out funds in the UK and Europe. The Company invests in both limited partnerships and listed vehicles.

Index

LPX Indirect Index

The Company's performance is not benchmarked against any specific stock market index. The LPX Indirect Index represents the private equity companies most comparable to the Company traded on a European exchange.

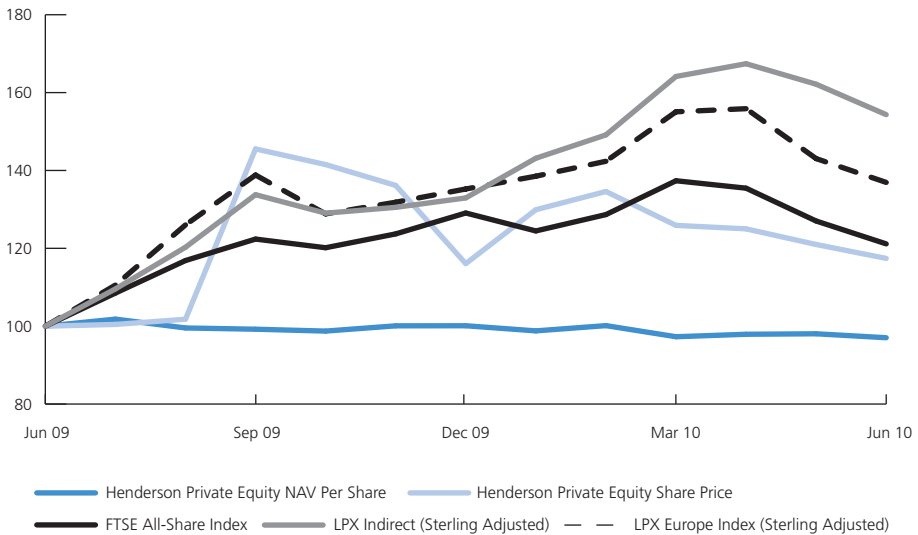
A factsheet which is updated each month may be accessed at www.hendersonprivateequity.com

* A change to the Company's Investment Objective and Policy is to be proposed. See page 2 for more information.

Financial Highlights

	30 June 2010	31 December 2009	Change since 31 December 2009	30 June 2009	Change since 30 June 2009
Net assets	£58.9m	£57.1m	3.2%	£57.8m	1.9%
Net asset value per share	312.3p	302.7p	3.2%	306.5p	1.9%
Share price	131.5p	130.0p	1.2%	112.0p	17.4%
Discount	57.9%	57.1%	N/A	63.5%	N/A
FTSE All-Share Index	2,543.5	2,760.8	-7.9%	2,172.1	17.1%
LPX Europe Index (sterling adjusted)	256.2	253.2	1.2%	187.2	36.9%
LPX Indirect Index (sterling adjusted)	31.1	26.8	16.0%	20.2	54.0%

Performance Graph



Rebased to 100 at 30 June 2009.

Source: Henderson Global Investors Limited.

Interim Management Report

Chairman's Statement

Market and Company Performance

The European private equity market remained subdued during the half-year to 30 June 2010 with the Company's main area of focus, Europe's mid-market buy-out sector, experiencing continued low levels of new investment and exit activity. This reflected a number of factors, including the scarcity of bank finance to help fund new transactions, the general reluctance of vendors to sell businesses at a low point in the economic cycle and the weak IPO markets.

Although there were signs at the turn of the year that Europe's macro-economic position was improving, confidence in a sustainable recovery suffered a setback during April and May as the Greek sovereign debt crisis placed an enormous strain on the Euro and highlighted the weak public finances of a number of European countries.

Against this subdued and uncertain market background, the Company's Net Asset Value ("NAV") per share increased by 3.2% in the six months to 30 June 2010. The Company's share price increased by 1.2% compared with a decline of 7.9% in the FTSE All-Share Index and an increase of 16.0% in the LPX Indirect Index (sterling adjusted).

Disappointingly, at 30 June 2010 the Company's shares were trading at a 57.9% discount to NAV per share.

Proposed Change of Investment Strategy

On 26 August 2010 the Company announced that it would be publishing proposals concerning an orderly realisation of assets and a return of cash to shareholders. The proposals involve a

cessation of new investment, except for honouring commitments to limited partnerships under existing agreements, and steps being taken to dispose of the Company's portfolio of limited partnership interests, listed private equity holdings and other assets over a timeframe designed to help maximise shareholder value.

The rationale for the proposed change of investment strategy is described fully in the Shareholder Circular, which will be sent to shareholders in early September. In summary, the Board and the Manager have now concluded that the Company's relatively small scale, which limits its marketability to larger investors, and the resulting lack of liquidity in its shares, will continue to result in an unacceptably high discount to NAV into the foreseeable future. This, in turn, will constrain the Company's ability to raise the new equity funding it requires to address its two fundamental and connected problems of a lack of scale and illiquidity.

In view of this, and having explored thoroughly the strategic alternatives available to the Company, the Board and the Manager now consider that an orderly realisation of the Company's assets and a return of cash is the best option available to shareholders. In order to allow the Portfolio Manager flexibility to try to maximise value for the Company's assets there will be no fixed timeframe for the orderly realisation. The Board's current expectation is, however, that it is likely to be materially complete within the next two years or so.

Shareholders are invited to attend the General Meeting which has been convened to consider

Interim Management Report

Chairman's Statement continued

the Board's proposals described above on 27 September 2010.

Liquidity and Outstanding Commitments

The Board works closely with the Portfolio Manager to review and update the Company's cashflow projections. This process takes into account an on-going assessment of the timescales over which outstanding limited partnership commitments may be drawn down and their underlying investments realised and distributed. In the opinion of the Board the Company has sufficient resources to meet its future commitments in relation to either its existing or new proposed investment strategy.

As reported in the annual accounts for the year to 31 December 2009, the Company's liquidity position was strengthened significantly after the year end by the extension of its £30.0 million of committed bank facilities provided by Lloyds Banking Group through to 1 May 2012. These facilities had previously been due to expire in July 2010 and July 2011.

At 30 June 2010 the Company had £21.4 million of available funding capacity, comprising £1.0 million of cash, £4.2 million of listed investments and £16.2 million of undrawn committed bank facilities. This compared to a projected estimated funding requirement in relation to limited partnership drawdowns of £27.8 million over the next two-and-a-half years through to 31 December 2012. It should be noted, however, that during this period the Company is also forecast to benefit from significant cash inflows in the form of distributions from limited partnerships as exit activity recovers during 2011 and 2012.

Furthermore, should shareholders approve the proposed change to the Company's investment strategy, the resulting orderly realisation of assets is likely to result in the Company receiving significant cash inflows from the sale of its limited partnership holdings. Any such disposals will also release any associated undrawn limited partnership commitments.

Gearing

At 30 June 2010 drawings under the Company's £30.0 million of committed bank facilities totalled £13.8 million. This represented gearing of 18.9% on gross assets of £73.0 million.

Basis of the Financial Statements

In the event that shareholders vote in favour of the proposed change of investment strategy, it will be the case that the orderly realisation of assets will, at the very end of the process, ultimately result in the voluntary liquidation and winding-up of the Company. This will mean that future financial statements will not be prepared on a going-concern basis.

Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which materially affected the financial position or performance of the Company during the period. Details of related party transactions are contained in the Annual Report and Financial Statements.

Current Market, Risks and Outlook

As 2010 has progressed optimism regarding the pace of economic recovery across Europe has inevitably diminished following the Greek

Interim Management Report

Chairman's Statement continued

sovereign debt crisis. With many European governments now committed to cutting public expenditure and the likelihood of increased levels of unemployment, a longer period of depressed macro-economic activity now looks more likely than at the start of the year.

As described further in the Portfolio Manager's Review, the Company's investments are made with experienced private equity managers who have responded well to the challenging environment of the last two years by helping management teams reduce costs and identify efficiencies in their investee companies. As a result, the Company's portfolio companies are generally well-positioned to withstand a continuation of demanding trading conditions.

As explained above, despite the good quality of the Company's portfolio, the Board and the Manager have concluded that the prospect of raising new funding to increase significantly the scale of the Company and the liquidity of its shares appears remote for the foreseeable future. Whilst it is feasible for the Company to continue in its current form, the Board and the Manager concur fully in recommending that the time has now arrived to recognise that shareholders are most likely to be best-served by the gradual release of portfolio value through the orderly realisation of assets currently proposed.

Directors' Responsibility Statement

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

- (a) the set of financial statements has been prepared in accordance with the Accounting Standards Board's statement "Half-Yearly Financial Reports";
- (b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

For and on behalf of the Board

John Mackie CBE

Chairman
26 August 2010

Portfolio Manager's Review

Overview

The generally low level of investment and exit activity experienced by the European private equity industry during 2009 continued into the first half of 2010. The same constraints on the market continued to prevail, including the reduced availability of debt finance, uncertainty regarding deliverability of business plans, the reluctance of potential business sellers to reduce prices and stagnant IPO markets.

Portfolio Activity

Limited Partnership Portfolio – Investments and Distributions

Given this muted background, only three significant new investments were made by the Company's limited partnership funds during the period resulting in drawdowns from the Company of £3.4 million. The largest of these was August Equity Partners II's investment in the UK merger of First Call Care Services Limited, part of an existing portfolio investment, and Active Assistance, creating a new entity focused on providing intensive and complex home care. The Company's share of this transaction at financial close was £3.0 million. Astorg IV also completed an investment in Sebia, a French-based leader in the manufacture of equipment for the analysis of blood serum, the Company's share being £0.3 million. Finally, Lyceum Capital Fund II purchased UK Drainage Networks, the UK's leading provider of drainage claims and remediation services to the insurance industry. The Company's share of this investment was £0.1 million.

In addition, the Company's share of follow-on investments made by limited partnerships to existing portfolio companies totalled £4.1

million. Of this, £3.0 million related to Rutland Fund I's investment in Notemachine, one of the UK's leading operators of cash machines. £2.4 million of £3.0 million was drawn from the Company to provide cash collateral in support of an existing bank guarantee provided to Notemachine's lenders by Rutland Fund I. It is possible that this will prove to be a relatively short-term requirement.

Given the generally subdued M&A and IPO markets in the first six months of 2010 no exits of underlying company investments were completed by the Company's limited partnership fund investments. This is consistent with the Company's cash flow projections for 2010 which do not anticipate any significant level of exit distributions during the year.

Other distributions to the Company from its limited partnership portfolio during the half-year totalled £1.5 million, of which £1.2 million was received from Rutland Fund I arising from loan note interest and principal payments by Advantage, a supplier of staff to the UK's healthcare sector.

The Company's 31 December 2009 year end financial statements referred to a High Court ruling made on 5 March 2010 against Rutland Fund I in connection with its investment in H&T Group Limited, which was sold in 2006. Damages and costs, with the exception of the Plaintiff's costs, were finalised during May with the result that the Company's share of Rutland Fund I's liability was calculated to be £2.3 million. This amount was already provided for in the Company's own 31 December 2009 year end financial statements. The necessary funding was

Portfolio Manager's Review

continued

drawn from the Company during June. It is highly unlikely that any further amount will be required.

The Company made no new commitments to limited partnerships during the half-year reflecting the preference to retain the Company's funding capacity to meet existing commitments.

Listed Investment Portfolio – Investments and Disposals

No new listed investments were made in the period under review.

Three shareholdings which did not fit with the Company's European mid-market buy-out focus were sold generating proceeds of £0.4 million. These were Greenwich Loan Income Fund, China Growth Opportunities and Quorum Oil and Gas Technology warrants. In addition, most of the Company's holding in HG Capital Trust was sold in order to raise cash of £1.1 million. The proceeds from the disposals, which amounted to £1.5 million, represented a net increase of 26.4% against the valuation at the time of the management change in May 2009. The proceeds were used mainly to help fund drawdowns under the Company's limited partnerships commitments.

The listed investment portfolio produced cash dividends of £47,185 during the half-year.

Portfolio Valuation

Due to FSA Disclosure and Transparency Rule 4.2 requiring the Company to publish its half-year financial statements by 31 August 2010, it has not been possible to update all limited partnership valuations using reports for the quarter ended 30 June 2010. As a result, 91.8%

by value of the limited partnership portfolio has been valued using 30 June 2010 reports and 8.2% using 31 March 2010 reports, updated for any subsequent cash flows. All limited partnership valuations for 30 June 2010 are expected to be reflected fully in the Net Asset Value ("NAV") for 30 September 2010 which will be released to the market in mid-October 2010. It should be noted, however, that discussions with those limited partnerships that have not yet provided their 30 June 2010 report indicate that any valuation changes will not be material.

The Company's portfolio continued to perform creditably during the period under review. At 30 June 2010 the total value of the Company's gross investments (including cash) was £73.0 million of which £65.4 million represented investments in limited partnerships. This compared with £65.1 million and £53.7 million respectively at the 31 December 2009 year end. Adjusting for the £7.5 million of new and add-on investments made by the Company's limited partnership funds during the half-year, this means that the valuations of the Company's limited partnership assets have, overall, remained stable since the 31 December 2009 year end.

The Company's limited partnership funds are invested in over seventy underlying companies. Whilst there are inevitably some examples of deteriorating trading performance, there is also evidence of profit growth, particularly in relation to those companies able to fund small, value-accretive add-on acquisitions. In addition, the Company's mainly mid-market buy-out portfolio generally benefits from gearing levels lower than in the large buy-out sector, thereby reducing financial risk. As a result, only a small number of

Portfolio Manager's Review

continued

the Company's underlying portfolio companies currently face financial covenant or other negotiations with their lending banks.

At 30 June 2010 the listed portfolio comprised eight shareholdings with a total value of £4.2 million. On a like-for-like basis, this compared with £3.5 million at 31 December 2009. Despite this increase, the discounts to NAV relating to a number of these shareholdings are still wide by historic standards and, in the Portfolio Manager's opinion, there continues to be scope for significant narrowing over time.

Proposed Change of Investment Policy

The reasons for the proposed change in the Company's investment policy have already been referred to in the Chairman's Statement and are described fully in the Shareholder Circular which will be sent to Shareholders in early September. Since assuming the management of the Company's portfolio on 1 May 2009, we have endeavoured to find ways of addressing the Company's lack of scale and share liquidity. This has, however, proved a difficult task in turbulent fund-raising markets in which sentiment towards listed private equity vehicles has often been negative. Following lengthy consultation and in full agreement with the Board, we have concluded that, although the continuation of the current investment strategy may ultimately provide acceptable returns, it is now in the best interests of shareholders to agree to an orderly realisation of the Company's assets and to receive cash from a carefully managed and controlled sale process conducted over a timeframe which will help to maximise value.

Outlook

History suggests that the private equity sector performs well following recessionary periods, usually due to reduced or distressed asset prices. It is the case, however, that the pace of new investment activity in the UK and Europe remains much slower than was generally anticipated by the private equity industry at the start of 2009. Business sellers of all types have been reluctant to sell at a low point in the economic cycle unless absolutely necessary, whilst the dearth of bank finance has constrained funding for the limited number of available opportunities.

More assets will become available in due course, but the current lack of new deal flow means that any good quality businesses are attracting strong pricing as private equity firms compete to invest. The Company's private equity commitments are, however, managed by experienced firms which, over time, are capable of generating new deal flow at acceptable prices.

In addition, the same firms have generally shown considerable skill in managing the Company's existing underlying investments through a very difficult economic period. To some extent this is reflected in the recent stability of the value of the Company's investment portfolio. Whilst the macro-economic outlook in the UK and Europe remains uncertain, it is the case that the Company's underlying investment portfolio is well-positioned to generate value for shareholders as and when economic conditions improve.

Ian Barrass

Portfolio Manager
26 August 2010

Investment Portfolio

Indicative Valuation at 30 June 2010

Company	Category	Country/ Region	Vintage	Cost £'000	Valuation £'000	% of Portfolio
August Equity Partners II	LP	UK	2007	15,049	14,847	20.3%
Rutland Fund I	LP	UK	2000	17,272	14,096	19.3%
Parallel Ventures 2006	LP	UK	2006	9,752	10,093	13.8%
August Equity Partners I	LP	UK	2001	12,982	9,953	13.6%
Astorg IV	LP	France	2008	3,448	4,488	6.1%
Century CP IV	LP	US	2007	1,896	3,101	4.2%
Rutland Fund II	LP	UK	2007	2,325	3,014	4.1%
Logic	Direct	UK	2007	2,500	2,500	3.4%
Pragma II	LP	France	2007	1,733	1,946	2.7%
Fondinvest VIII	LP	France	2007	1,582	1,515	2.1%
Ten Largest Investments				68,539	65,533	89.6%
Lyceum Capital II	LP	UK	2007	891	1,454	2.0%
Graphite Enterprise	Listed	UK	2007	2,218	1,408	1.9%
Evolence India Holding	Listed	India	2007	1,076	735	1.0%
SVG Capital 8.25%	Listed	UK	2007	750	663	1.0%
Zeus Private Equity Fund	LP	UK	2007	404	627	0.9%
Reconstruction Capital	Listed	Eastern Europe	2007	968	456	0.6%
Wendel	Listed	Europe	2007	740	290	0.4%
Private Equity Investor	Listed	US	2008	320	278	0.4%
Dinamia	Listed	Spain	2007	441	246	0.3%
Elderstreet Capital Partners	LP	UK	1999	286	198	0.3%
Twenty Largest Investments				76,633	71,908	98.4%
HG Capital Trust IT	Listed	UK	2007	92	93	0.1%
KB Fund III B	LP	UK	1998	–	19	0.1%
KB Fund III	LP	UK	1997	–	8	0.1%
Total Investments				76,725	72,028	98.7%
Cash					964	1.3%
Total Portfolio					72,992	100.0%

LP = Limited Partnership

20 Largest Underlying Investments

The table below summarises the 20 largest underlying investments by value in the Company's portfolio of unlisted private equity funds. The valuations are gross, before any carry provision.

Underlying Investment	Sector	General Partner	Vintage	Cost £'000	Valuation £'000	% of Portfolio
Enara	Healthcare	August II	2008	4,396	6,915	11.1%
Advantage Healthcare	Healthcare	Rutland Fund I	2005	2,810	5,770	9.3%
Liberty Acquisitions (Lifeways)	Healthcare	August I	2007	3,462	5,236	8.4%
Notemachine	Business Services	Rutland Fund I	2006	11,673	5,023	8.1%
Rollfold Group (Rixonway)	Manufacturing	August I	2006	2,017	3,546	5.7%
Funeral Services Partnership	Consumer Services	August II	2009	3,042	3,164	5.1%
Active Assistance	Healthcare	August II	2010	3,037	3,134	5.0%
Norma	Manufacturing	Parallel	2006	776	2,360	3.8%
ONO Development	Manufacturing	Parallel	2006	413	1,700	2.7%
4 Projects	Software	August II	2007	1,654	1,654	2.7%

Ten Largest Underlying Investments

33,280 38,502 61.9%

CeDo	Manufacturing	Rutland Fund II	2009	807	1,298	2.1%
Wolstenholme	Manufacturing	Rutland Fund I	2000	286	1,220	2.0%
Photonis	Manufacturing	Astorg IV	2008	673	1,212	1.9%
Attends Healthcare	Healthcare	Rutland Fund II	2007	665	1,192	1.9%
Jerrold Holdings	Financial	Parallel	2006	1,106	1,155	1.9%
Planit Holdings	Software	August I	2006	2,719	1,153	1.9%
GD Metal	Business Services	Parallel	2006	908	908	1.5%
OGF	Consumer Services	Astorg IV	2007	711	875	1.4%
Premo	Manufacturing	Parallel	2007	1,436	858	1.4%
Imagine Publishing	Media	August I	2006	1,345	845	1.4%

Twenty Largest Investments

43,936 49,218 79.3%

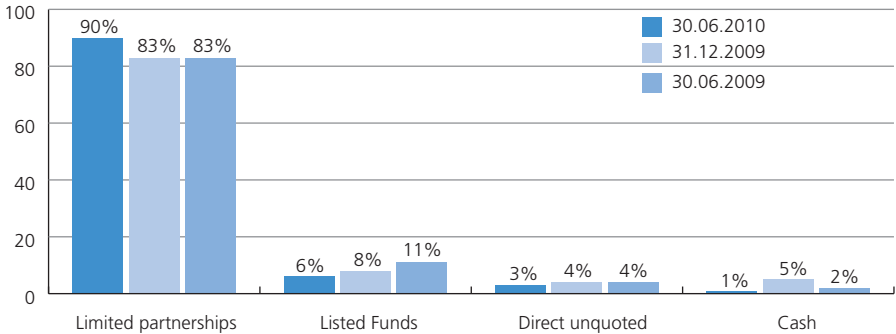
Other Underlying Investments 22,102 12,885 20.7%

Total Underlying Investments

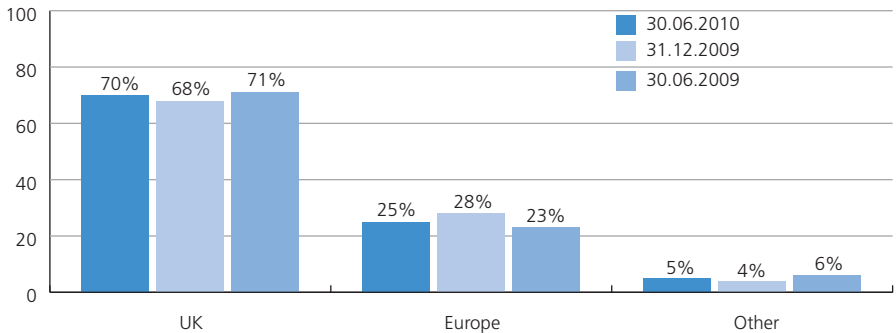
66,038 62,103 100.0%

Portfolio Analysis

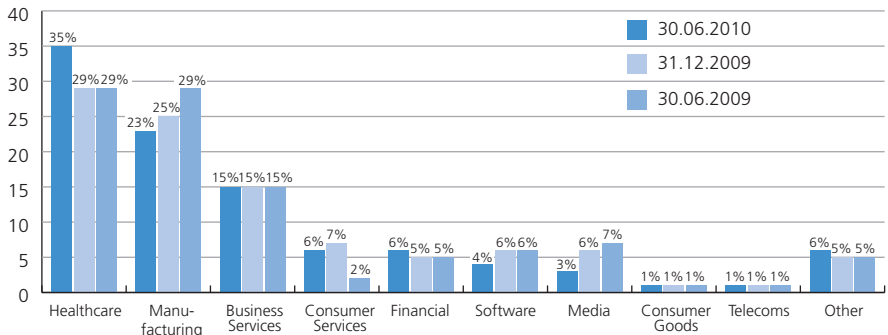
Type of investment by value



Geographic exposure of investments by value



Sector exposure of underlying companies in limited partnerships by value

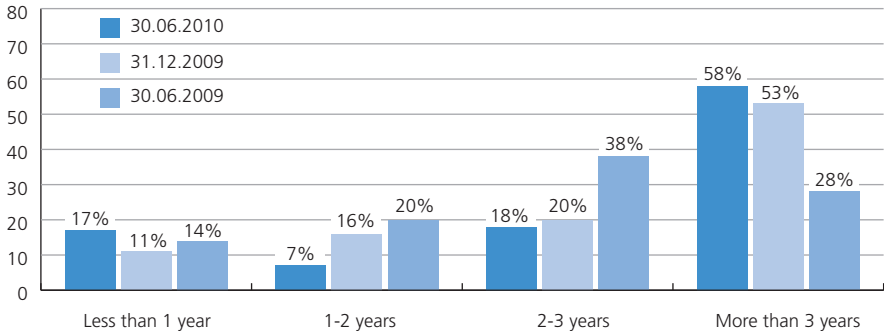


Source: Henderson Global Investors Limited

Portfolio Analysis

continued

Underlying companies in limited partnerships investment vintages by value



Source: Henderson Global Investors Limited

Commitment Analysis

Commitments

	Original commitment £'000	Outstanding commitment £'000	% of outstanding commitments
Funds in investment period	80,921	34,431	86.3
Funds in post-investment period	141,000	5,452	13.7
Total	221,921	39,883	100.0%

Commitments – remaining investment period

	% of Commitments
3 – 4 years	2.3%
2 – 3 years	22.9%
1 – 2 years	4.5%
Less than 1 year	6.8%
Investment period completed	63.5%
Total	100.0%

Income Statement

for the six months ended 30 June 2010

	(Unaudited)		
	Six months ended 30 June 2010		
	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) from investments held at fair value through profit or loss (note 2)	–	2,539	2,539
Gains on foreign exchange	–	70	70
Income (note 3)	88	–	88
Investment management fee (note 4)	(380)	–	(380)
Administrative expenses	(407)	–	(407)
Return on ordinary activities before finance costs and taxation	(699)	2,609	1,910
Interest payable and similar charges	(103)	–	(103)
Return on ordinary activities before taxation	(802)	2,609	1,807
Taxation	(1)	–	(1)
Return on ordinary activities after finance costs and taxation (note 6)	(803)	2,609	1,806
Return per Ordinary share (based on average number of shares in issue during the period)	(4.2p)	13.8p	9.6p

The columns of this statement headed "total" represent the Company's income statement, prepared in accordance with UK GAAP. The revenue and capital columns are supplementary to this and are published under guidance from 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 current or prior periods.

Revenue £'000	(Unaudited) Six months ended 30 June 2009		Revenue £'000	(Audited) Year ended 31 December 2009	
	Capital £'000	Total £'000		Capital £'000	Total £'000
–	(3,303)	(3,303)	–	(4,167)	(4,167)
–	90	90	–	90	90
614	–	614	932	–	932
(343)	–	(343)	(756)	–	(756)
(280)	–	(280)	(682)	–	(682)
<u>(9)</u>	<u>(3,213)</u>	<u>(3,222)</u>	<u>(506)</u>	<u>(4,077)</u>	<u>(4,583)</u>
(11)	–	(11)	(45)	–	(45)
<u>(20)</u>	<u>(3,213)</u>	<u>(3,233)</u>	<u>(551)</u>	<u>(4,077)</u>	<u>(4,628)</u>
(1)	–	(1)	668	–	668
<u>(21)</u>	<u>(3,213)</u>	<u>(3,234)</u>	<u>117</u>	<u>(4,077)</u>	<u>(3,960)</u>
<u>(0.1p)</u>	<u>(17.0p)</u>	<u>(17.1p)</u>	<u>0.6p</u>	<u>(21.6p)</u>	<u>(21.0p)</u>

Reconciliation of Movements in Shareholders' Funds

for the six months ended 30 June 2010

	(Unaudited)					Shareholders' funds £'000
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve* £'000	
Balance at 1 January 2010	984	17,321	705	36,500	1,548	57,058
Capital attributable to Ordinary Shareholders	-	-	-	2,609	-	2,609
Revenue attributable to Ordinary Shareholders	-	-	-	-	(803)	(803)
Balance at 30 June 2010	984	17,321	705	39,109	745	58,864

	(Unaudited)					Shareholders' funds £'000
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve* £'000	
Balance at 1 January 2009	984	17,321	705	40,573	1,431	61,014
Capital attributable to Ordinary Shareholders	-	-	-	(3,213)	-	(3,213)
Revenue attributable to Ordinary Shareholders	-	-	-	-	(21)	(21)
Rebate of commission on share buybacks	-	-	-	4	-	4
Balance at 30 June 2009	984	17,321	705	37,364	1,410	57,784

	(Audited)					Shareholders' funds £'000
	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve* £'000	
Balance at 1 January 2009	984	17,321	705	40,573	1,431	61,014
Capital attributable to Ordinary Shareholders	-	-	-	(4,077)	-	(4,077)
Revenue attributable to Ordinary Shareholders	-	-	-	-	117	117
Rebate of commission on share buybacks	-	-	-	4	-	4
Balance at 31 December 2009	984	17,321	705	36,500	1,548	57,058

*The revenue reserve represents the amount of the Company's reserves distributable by way of a dividend.

Balance Sheet

at 30 June 2010

	(Unaudited) 30 June 2010 £'000	(Unaudited) 30 June 2009 £'000	(Audited) 31 December 2009 £'000
Fixed assets			
Investments	72,028	58,863	61,639
Current assets			
Debtors	422	168	428
Cash at bank	964	1,523	4,610
	1,386	1,691	5,038
Current liabilities			
Bank loan	(13,751)	(1,000)	(7,728)
Bank overdraft	–	(327)	(1,129)
Other creditors	(799)	(1,443)	(762)
	(14,550)	(2,770)	(9,619)
Net current liabilities	(13,164)	(1,079)	(4,581)
Net assets	58,864	57,784	57,058
Capital and reserves			
Called-up share capital	984	984	984
Share premium	17,321	17,321	17,321
Capital redemption reserve	705	705	705
Capital reserves (note 7)	39,109	37,364	36,500
Revenue reserve	745	1,410	1,548
Shareholders' funds	58,864	57,784	57,058
Net Asset Value per Ordinary Share (note 8)	312.3p	306.5p	302.7p

Cash Flow Statement

for the six months ended 30 June 2010

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Net cash (outflow)/inflow from operating activities	(703)	233	(534)
Taxation			
Tax paid	–	–	(1)
Financial investment			
Purchase of listed fixed asset investments	–	(12)	(13)
Purchase of unlisted fixed asset investments	(10,827)	(3,212)	(11,116)
Sale of listed fixed asset investments	1,469	1,330	3,499
Sale of unlisted fixed asset investments	1,508	808	2,903
Net cash outflow from financial investment	(7,850)	(1,086)	(4,727)
Equity dividends paid	–	–	–
Net cash outflow before financing	(8,553)	(853)	(5,262)
Financing			
Purchase of Ordinary shares	–	4	4
Bank loan drawn	6,023	1,000	7,728
Bank interest paid	(57)	(13)	(47)
(Decrease)/increase in cash	(2,587)	138	2,423
Net funds at the start of the period	3,481	968	968
Gains on foreign exchange	70	90	90
Net funds at the end of the period	964	1,196	3,481
Represented by:			
Cash at bank	964	1,523	4,610
Bank overdraft	–	(327)	(1,129)
	964	1,196	3,481

Notes to the Accounts

for the six months ended 30 June 2010

1. Accounting Policies

The financial statements have been prepared on a going concern basis, under the historical cost convention, as 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 1158-1159 of the Corporation Tax Act 2010. 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 and Venture Capital Trusts' (the 'SORP'), as issued by The Association of Investment Companies in January 2009.

The financial statements for each of the six month periods ended 30 June 2010 and 30 June 2009 comprise non-statutory financial statements within the meaning of Sections 434-436 of the Companies Act 2006. The financial information for the year ended 31 December 2009 has been extracted from published financial statements that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified. The half-year financial statements have been prepared on the same basis as the annual financial statements.

For the period under review the Company's accounting policies have not varied from those described in the Annual Report and Financial Statements for the year to 31 December 2009.

2. Gains/(losses) on investments held at fair value

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Realised gains/(losses):			
Listed investments	84	155	(599)
Unlisted investments	(428)	88	5,228
	(344)	243	4,629
Investment holding gains/(losses):			
Listed investments	93	(127)	552
Unlisted investments	2,790	(3,247)	(5,455)
	2,883	(3,374)	(4,903)
Net gains/(losses) on investments held at fair value	2,539	(3,131)	(274)

Notes to the Accounts continued

for the six months ended 30 June 2010

3. Dividends and other income

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Income from fixed asset investments:			
Franked income:			
Dividends from listed UK investments	49	64	60
Dividends from unlisted UK investments	10	–	4
	59	64	64
Unfranked income:			
Dividends from listed overseas investments	48	32	101
Distributions from UK unlisted investments	(52)	478	695
Listed UK loan stock investments	31	31	62
Listed overseas treasury gilts	–	5	5
	27	546	863
Total income from fixed asset investments	86	610	927
Other income:			
Deposit interest	2	4	5
	88	614	932

4. Investment management fee

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Investment management fee – charged to revenue	380	343	756

For the period under review, 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 investments and 0.75% per annum on the remainder of the Company's assets. In addition, the Company's Manager would be entitled to an annual performance fee of 10% of any return in excess of 8% per annum. 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. The Investment Management fee arrangements have been renegotiated and will be proposed to Shareholders at a forthcoming General Meeting. Full details of the proposed arrangements are detailed in the Shareholder Circular which will be sent to Shareholders in early September.

Notes to the Accounts continued

for the six months ended 30 June 2010

5. Commitments

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
The level of outstanding commitments at the period end was:			
August Equity Partners II	13,134	19,616	16,423
Rutland Fund II	6,767	8,107	7,072
Lyceum Capital II	3,764	4,216	4,216
Fondinvest VIII	3,403	3,670	3,693
Pragma II	3,396	3,652	3,665
Rutland Fund I*	3,021	7,833	8,233
KB Fund III and KB Fund IIIB*	1,791	1,791	1,791
Astorg IV	1,290	3,398	1,794
Century CP IV	1,267	1,643	1,310
Parallel Ventures 2006	915	2,001	1,678
August Equity Partners I*	608	1,777	691
Zeus Private Equity Fund	496	552	527
Elderstreet Capital Partners*	31	31	31
	39,883	58,287	51,124

*Denotes Fund is in post investment period as at 30 June 2010

6. Return per Ordinary share

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Revenue return	(803)	(21)	117
Capital return	2,609	(3,213)	(4,077)
Total return	1,806	(3,234)	(3,960)
Weighted average number of Ordinary shares in issue	18,850,212	18,850,212	18,850,212
Revenue return	(4.2p)	(0.1p)	0.6p
Capital return	13.8p	(17.0p)	(21.6p)
Total return	9.6p	(17.1p)	(21.0p)

Notes to the Accounts continued

for the six months ended 30 June 2010

7. Capital reserves

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Opening balance	36,500	40,573	40,573
Losses/(gains) on realisation of investments	(344)	71	736
Movements in investment holdings losses	2,883	(3,374)	(4,903)
Gains on foreign exchange	70	90	90
Costs of share buybacks	–	4	4
	39,109	37,364	36,500
Included within the above reserve are investment holding gains of	(2,337)	30	(5,220)

8. Net Asset Value per Ordinary Share

	(Unaudited) Six months ended 30 June 2010 £'000	(Unaudited) Six months ended 30 June 2009 £'000	(Audited) Year ended 31 December 2009 £'000
Net assets attributable to ordinary shareholders (£'000)	58,864	57,784	57,058
Ordinary shares in issue at end of period	18,850,212	18,850,212	18,850,212
	312.3p	306.5p	302.7p

9. Called up Share Capital

At 30 June 2010 there were 18,850,212 Ordinary shares of 0.05p each in issue and 832,000 Ordinary shares of 0.05p each held in treasury (30 June 2009 and 31 December 2009: 18,850,212 in issue and 832,000 in treasury).

10. Related parties

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or performance of the Company during the period. Details of the related party transactions are contained in the Annual Report and Financial Statements.

11. Going concern

In accordance with the proposals made in the Shareholder Circular to be sent to Shareholders in early September, and subject to the Resolutions therein being passed, future operations of the Company will not be conducted on a going concern basis.

Investor Information

Directors

John Mackie CBE (Chairman)

Terry Connor

Barry Dean

Ian Orrock

Investment Manager

Henderson Global Investors Limited authorised and regulated by the Financial Services Authority

Portfolio Manager: Ian Barrass

Email: enquiries@itshenderson.com

Secretary

Henderson Secretarial Services Limited

Represented by Tracey Lago ACIS

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Kent BR3 4TU

Telephone (UK): 0871 664 0300

Calls to this number are charged at 10p per minute plus network extras.

Email: ss@capitaregistrars.com

Share price information

The market price of the Company's shares is published in The Daily Telegraph, the Financial Times and The Times. The share price, net asset value and details about the Company may also be found on the following website:

www.hendersonprivateequity.com

Investing in the Company

Shares in the Company may be bought or sold directly through a stockbroker, or other independent financial adviser or through a number of banks and building societies which provide this service.

Halifax Share Dealing Service

Lovell Park Road

Leeds LS1 1NS

Telephone: 0845 6090408

Stock Exchange share codes

SEDOL: 03095531

ISIN: GB0030955313

EPIC: HPEQ

BLOOMBERG: HPEQ:LN

FT: HPEQ:LSE

The Company is a member of the

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The Association of
Investment Companies





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Henderson
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