

**HENDERSON PRIVATE EQUITY INVESTMENT TRUST PLC**  
**Annual Financial Report for the year ended 31 December 2009**

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29 April 2010

This announcement contains regulated information

## Investment Objective

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

## Performance Summary

	<b>31 December 2009</b>	31 December 2008	Change
Net Assets <sup>(1)</sup>	<b>£57.1m</b>	£61.0m	-6.5%
Net Asset Value per share <sup>(1)</sup>	<b>302.7p</b>	323.7p	-6.5%
Share price <sup>(2)</sup>	<b>130.0p</b>	84.0p	+54.8%
Discount <sup>(1)</sup>	<b>57.1%</b>	74.1%	N/A
FTSE All Share Index <sup>(2)</sup>	<b>2,760.8</b>	2,209.3	+25.0%
LPX Europe Index (sterling adjusted) <sup>(2)</sup>	<b>253.2</b>	189.2	+33.8%
LPX Indirect Index (sterling adjusted) <sup>(2)</sup>	<b>26.8</b>	21.0	+27.6%

(1) Source: Henderson Global Investors Limited.

(2) Source: Datastream.

## MANAGEMENT REPORT

### Chairman's Statement

The financial year ended 31 December 2009 was another difficult period for the European private equity sector. Despite this, your Company performed creditably in a demanding economic environment. Over the course of the year the Company's share price recovered some of the ground lost during the financial turmoil of 2008 and early 2009, and whilst the Company's Net Asset Value ("NAV") per share experienced a moderate decline, the value of the Company's investment portfolio showed increased stability as the year progressed.

### Share Price and Valuation

During the year ended 31 December 2009, the Company's share price rose by 54.8% to 130.0p. Despite such a marked improvement, this still represented a 57.1% discount to NAV of 302.7p per share at the year end. The Board believes this discount does not fully reflect the strengths of the Company's investment portfolio.

At 31 December 2009 the total value of the Company's investments, including cash, was £65.1 million, compared to £62.0 million at 31 December 2008. Further information on the Company's investment portfolio is provided in the Investment Review and Portfolio Analysis on pages 4 to 11 of the Annual Report.

### Liquidity and Commitments

Cash resources of £3.5 million combined with £5.5 million of listed holdings meant the Company held £9.0 million of liquid assets at 31 December 2009. In addition, the Company had committed bank facilities of £30.0 million, of which £7.7 million was drawn at 31 December 2009. The Company therefore had £31.3 million of liquid assets and funding capacity at the year end.

At 31 December 2009, the Company had outstanding commitments to limited partnerships of £51.1 million of which it is anticipated that up to £38.0 million will be drawn over the three years to 31 December 2012.

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The Board works closely with the Portfolio Manager to assess and update the Company's cashflow projections. This process takes into account the timescales over which existing limited partnership commitments may be drawn down and investments realised. In the opinion of the Board the Company has sufficient resources to meet future commitments.

Your Company's liquidity position has been strengthened since the year end with the extension of its £30.0 million of committed banking facilities to 1 May 2012.

**Manager**

On 9 April 2009, New Star Asset Management Group plc, the parent company of the then Manager, was acquired by Henderson Group plc ("Henderson"). On 1 May 2009 Ian Barrass, head of private equity Fund of Funds at Henderson, assumed the role of Portfolio Manager. Consequently, a new management agreement with Henderson Global Investors Limited on substantially the same terms was signed by the Board.

The Board is pleased with the progress that Ian Barrass and his colleagues at Henderson have made to date.

**Change of Name**

On 18 June 2009, the Company changed its name to Henderson Private Equity Investment Trust plc, which better reflects the Company's association with Henderson and its stable of investment trusts.

**Investment Strategy**

As described in the Company's report for the half year to 30 June 2009, the Board reviewed the Company's investment strategy with the Portfolio Manager in May last year. As a result, it was decided that the Company will strengthen its focus on the European mid-market buy-out sector and will continue to operate as a private equity fund of funds. Any new investment activity will be focused on the best unlisted and listed opportunities in this market segment.

**Related Party Transactions**

During the year ended 31 December 2009, no transactions with related parties have taken place that materially affected the financial position or performance of the Company during the period. Details of related party transactions are detailed below and contained in Note 20 on page 52 of the Annual Report.

**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 2009. Shareholders should note the level of dividend will vary from year to year, as the Company's income is expected to fluctuate.

**Outlook**

While there is still uncertainty with respect to the pace of recovery, there are signs that Europe's economies are beginning to improve. Your Company is well positioned to benefit from the recovery through its existing portfolio, its clear strategic focus and its sound liquidity position. The Board remains confident that the Company is capable of providing attractive shareholder returns over the medium term.

**Business Review**

**Performance Measurement and Key Performance Indicators**

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of Henderson Global Investors Limited ("the Manager"), the Directors take into account the following key performance indicators:

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- Discount to Net Asset Value (“NAV”) and peer group

The Board monitors the level of the Company’s discount to NAV on a continual basis and reviews the average discount of the Company’s peer group and the relevant Association of Investment Companies (“AIC”) sector at each Board meeting. The Company publishes a NAV per share figure on a monthly basis through a regulated news service. The NAV figure is calculated in accordance with the AIC formula.

- Performance against the Benchmark

While performance is not directly 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 and is therefore used by the Board and Portfolio Manager as a reference for performance comparison purposes.

- Total Expense Ratio (“TER”)

The TER is a measure of the total expenses incurred by the Company, expressed as a percentage of the average shareholders’ funds over the year. The TER is defined here as the total annual pre-tax operating expenses (management fee and other administration costs) expressed as a percentage of average shareholders’ funds over the year. The TER, before performance fees and borrowing costs and excluding the VAT reclaim in 2008, amounted to 2.4% (2008: 2.6%) of the net assets of the Company. No performance fee was paid during the year (2008: nil). The Board regularly monitors all Company expenses to ensure they are managed effectively.

### **Principal Risks and Uncertainties**

The Board has established a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the investment objective and policy, to mitigate these risks as far as possible. The principal risks which have been identified and the steps taken by the Board to mitigate these are:

- Investment strategy and performance

Inappropriate long-term investment strategies in terms of, inter alia, asset allocation, level of gearing or manager selection may result in underperformance of the Company against the selected comparable benchmark index or companies within the peer group. The Board regularly considers the Company’s investment strategy and monitors performance at each Board meeting.

- Long term nature of private equity investments

Private equity investments are long-term in nature and it may take a considerable period to 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 realisable than quoted securities. Such investments may therefore carry a higher degree of risk than quoted securities.

- Business conditions and general economy

The Company’s investment returns are influenced by 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 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 on pages 6 to 11 of the Annual Report. Further information on how the Company

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manages risk may be found in the Internal Controls section on pages 23 and 24 and in note 18 on pages 45 to 52 of the Annual Report.

- Valuation uncertainty

In valuing its investments in unlisted private equity funds or limited partnerships and in calculating its NAV, 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 provide updated (unaudited) 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. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Act 2006 could lead to criminal proceedings, financial or reputational damage. The Board receives quarterly internal control reports produced by the Manager to confirm or otherwise regulatory compliance during the year.

- Manager

The quality of the management team employed by the Manager is an important factor in delivering good quality 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 annual review.

- Operational

Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the Custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. Details of how the Board monitors the services provided by the Manager and its other suppliers and the key elements designed to provide effective internal control, are explained further in the Internal Controls section on pages 23 and 24 of the Annual Report.

### **Related Party Transactions**

Investment management, accounting, company secretarial and administration services are provided to the Company by wholly-owned subsidiary companies of Henderson Group plc ("Henderson"). This is the only related party transactions currently in place. There have been no material transactions with this related party affecting the financial position or performance of the Company during the year under review. Global Custody Services are provided by BNP Paribas Securities Services. As detailed within the Substantial share interests on page 24 of the Annual Report funds managed by Henderson have interests in 38.9% of the issued share capital of the Company (excluding treasury shares).

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

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

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the Company, together with a description of the principal risks and uncertainties that it faces.

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**John Mackie CBE**  
Chairman  
29 April 2010

## **Investment Review**

Following the severe market turmoil of the second half of 2008, the year ended 31 December 2009 was a period of consolidation for the Company. The combination of intensive operational management of portfolio companies by the managers of the Company's limited partnership investments and improved public market valuations served to limit the year's Net Asset Value ("NAV") decline to 6.5% in what remained a generally difficult economic environment across Europe. Whilst the Company's stock price rose 54.8% during the year, the discount to NAV per share was 57.1% at 31 December 2009. Narrowing this discount is a key priority for the Portfolio Manager and the Board in the current financial year.

The Company's investment objective focus, the European mid-market buy-out sector, remained becalmed during the year. Contributing factors to low levels of investment and realisation activity included reduced availability of debt finance, uncertainty regarding deliverability of business plans, reluctance of potential sellers to dispose of businesses at reduced prices and a dormant IPO market.

### **Investment Activity**

#### **Limited Partnership Investments**

No new limited partnership commitments were made during 2009 compared with £18.0 million in 2008. This reflected caution regarding the Company's existing level of commitments, particularly given the scarcity of realisation proceeds during the period.

In 2009 drawdowns under limited partnerships totalled just over £11.0 million, including eight new investments with a combined value of £7.1 million. The largest of these was August Equity Partners II's investment in Funeral Services Partnership, the Company's share of this being £3.0 million. The balance of the drawdowns related primarily to follow-on investments in existing portfolio companies as opportunities arose to make add-on acquisitions at value accretive entry multiples.

The only new company realisation during the year, was the sale of Hat Trick Productions by August Equity Partners I in December, proceeds of which were used to repay bank debt. Additionally, a distribution was received from Rutland Fund I, when in February the Company received cash from the release of a tax indemnity in connection with the sale of H&T Group Limited in 2006. In total, limited partnership distributions amounted to £2.9 million.

After the year end, the Company announced on 5 March 2010 a High Court ruling against Rutland Fund I in connection with the H&T Group Limited transaction but damages have not yet been finalised. It should be noted that Rutland Fund I has included a provision in its year end valuation which is incorporated in these accounts.

#### **Listed Investments**

No new listed investments were made during the year thereby preserving the Company's cash resources.

The listed investment portfolio underwent rationalisation during the year to increase its focus on the European mid-market buy-out sector and to raise cash for the Company. Consequently, investments in Quorum Oil and Gas Technology (ordinaries), Renewable Energy Generation, ARC Capital and China Growth Opportunities (partial) were disposed of before the year end, at prices higher than those at 31 December 2008. The Company's holding in a French Government security was also sold during the year. Total proceeds from these disposals were £3.5 million. After the year end, the remaining holding in China Growth Opportunities and the Company's investment in Greenwich Loan Income Fund were also sold.

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**Portfolio Valuation**

At 31 December 2009 the total value of the Company's investments including cash was £65.1 million of which £53.7 million represented investments in limited partnerships. This compares with £62.0 million and £50.4 million respectively at the 31 December 2008 year end.

**Limited Partnership Investments**

The portfolio management skills of the Company's limited partnership investments were put to the test during the year. Overall, the 67 businesses which comprised the underlying company limited partnership portfolio at the year end performed satisfactorily. Whilst cost reduction was an obvious area for value protection across the portfolio, some companies were able to expand their activities through add-on acquisitions at attractive prices. Also, debt multiples in the Company's main area of focus, the mid-market buy-out sector, tended to be lower than in the large buy-out arena and, as a result, the impact of leverage was generally less severe on valuations.

Despite the difficult trading environment, a number of the Company's underlying investments made progress during the year and delivered increased operating profitability leading to additional value creation. Some portfolio company valuations also benefited from improvements in public market comparators. Given the harsh economic environment it was, however, inevitable that there would be some portfolio difficulties leading to specific falls in business valuations. It however should be noted, that there remains the potential for these businesses to recover value against a backdrop of improved trading conditions and higher multiples.

Generally, the Company's limited partnerships provide a good level of detail regarding multiples used in valuing their portfolios. This allows for review and discussion on valuations to assess their reasonableness and, if necessary, for any adjustments to be made. No such adjustments were considered necessary at the 31 December 2009 year end.

FSA Disclosure and Transparency Rule 4.2 requires the Company to release its full year accounts by 30 April 2010. It has not been possible to update all limited partnership valuations using audited reports for the year ended 31 December 2009. It should be noted that discussions with those limited partnerships that have not yet provided their audited reports indicate any valuation changes to be immaterial.

Additional information on the Company's portfolio, including details of underlying investments held through limited partnerships, can be found on pages 6 to 11 of the Annual Report.

**Listed Investments**

As stated above, a number of listed investments were sold during the year. The remaining listed portfolio was valued at £5.5 million at the year end. This compared with £5.0 million at 31 December 2008 on a like-for-like basis.

**Liquidity**

Some of the Company's fund of funds peer group chose to address liquidity concerns during the year by selling limited partnership interests sometimes at significant discounts to NAV. Your Company did not consider it necessary to follow the same strategy. This helped preserve portfolio value during the year. Since the year end, the Company's £30.0 million of banking facilities provided by Lloyds Banking Group have been extended to mature on 1 May 2012, providing the Company with a stable funding platform to finance existing limited partnership commitments. Whilst total existing commitments are stated at £51.1 million in the Company's accounts, a portion of these commitments is unlikely to be drawn in full given that some of the limited partnerships are now past their initial five-year investment period. Limited partnerships also often reserve a portion of their commitments as a contingency. In view of these factors, it is anticipated that up to £38.0 million of the £51.1 million year end commitments are likely to be drawn over the next three years.

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At the year end the Company had liquid assets of £9.0 million and undrawn committed bank facilities of £22.3 million to contribute towards the estimated funding requirement of up to £38.0 million over the next three years. With the Company's banking facilities now extended to 1 May 2012, the liquidity position has been strengthened considerably. With regard to realisation proceeds, whilst there is some exit activity currently underway within the limited partnership portfolio, it is not expected that realisations will provide significant cash inflows until 2011. This is reflected in the Company's cashflow projections.

**Outlook**

Despite continued uncertainty about the pace of economic recovery across Europe and the modest level of new investment and exit activity in the European mid-market buy-out sector, the outlook for your Company is more positive than it has been for some time. The investment portfolio has generally performed well during a period of severe economic strain and is positioned to benefit from gradual market recovery. New investments by the Company's existing limited partnership interests over the next few years will be made at an attractive stage in the economic cycle. The Company's liquidity position has also been strengthened by the extension of its banking facilities.

The Board however remains concerned about the current discount to NAV. Whilst the existing business is well-positioned, work continues to identify ways to grow the Company to the benefit of all shareholders.

**Ian Barrass**  
Portfolio Manager  
29 April 2010

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**Investment Portfolio**

The Company's investments as at 31 December 2009 were:

Company	Category	Country/ Region	Valuation £'000	% of Portfolio
August Equity Partners II	Limited Partnership	UK	10,787	16.6
August Equity Partners I	Limited Partnership	UK	10,775	16.5
Parallel Ventures 2006	Limited Partnership	UK	9,734	14.9
Rutland Fund I	Limited Partnership	UK	8,064	12.4
Astorg IV	Limited Partnership	France	4,400	6.8
Rutland Fund II	Limited Partnership	UK	2,991	4.6
Logic Group	Direct Investment	UK	2,500	3.8
Century Capital Partners Fund IV	Limited Partnership	US	1,957	3.0
Pragma Capital II	Limited Partnership	France	1,828	2.8
Fondinvest Capital VIII	Limited Partnership	France	1,665	2.6
<b>Ten largest investments</b>			<b>54,701</b>	<b>84.0</b>
Graphite Enterprise	Listed	UK	1,500	2.3
Hg Capital Trust	Listed	UK	1,254	1.9
Lyceum Capital Fund II	Limited Partnership	UK	656	1.0
Zeus Private Equity Fund	Limited Partnership	UK	596	0.9
SVG Capital 8.25% Convertible Bonds 2016	Listed	UK	562	0.9
EIH (previously Evolvence India)	Listed	India	557	0.9
Reconstruction Capital II	Listed	Eastern Europe	371	0.6
Greenwich Loan Income Fund	Listed	UK	325	0.5
Wendel Investments	Listed	Europe	323	0.5
Dinamia	Listed	Spain	283	0.4
<b>Twenty largest investments</b>			<b>61,128</b>	<b>93.9</b>
Private Equity Investor	Listed	US	242	0.4
Elderstreet Capital Partners	Limited Partnership	UK	198	0.3
China Growth Opportunities	Listed	China	39	0.1
KB Fund III B	Limited Partnership	UK	19	-
KB Fund III	Limited Partnership	UK	8	-
Quorum Oil & Gas Technology (warrants)	Listed	UK	5	-
<b>Total investments</b>			<b>61,639</b>	<b>94.7</b>
Cash (net of bank overdraft)			3,481	5.3
<b>Total portfolio</b>			<b>65,120</b>	<b>100.0</b>

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**Portfolio Analysis**  
**As at 31 December 2009**

**Source: Henderson Global Investors Limited**

**Type of investment by value**

<u>Type of investment</u>	<u>Percentage of portfolio</u>	
	<u>2009</u>	<u>2008</u>
Limited partnerships	83%	81%
Listed funds	8%	11%
Cash	5%	4%
Direct unquoted	4%	4%

**Geographical exposure of investments by value**

<u>Country or region</u>	<u>Percentage of portfolio</u>	
	<u>2009</u>	<u>2008</u>
UK	68%	68%
Europe	28%	25%
Other	4%	7%

**Sector exposure of underlying companies in limited partnerships by value**

<u>Sector</u>	<u>Percentage of portfolio</u>	
	<u>2009</u>	<u>2008</u>
Healthcare	29%	26%
Manufacturing	25%	26%
Business Services	15%	14%
Consumer Services	7%	2%
Media	6%	10%
Software	6%	6%
Financial	5%	5%
Consumer Goods	1%	1%
Telecoms	1%	1%
Other	5%	9%

**Underlying companies in limited partnerships investment vintages by value**

<u>Vintage</u>	<u>Percentage of portfolio</u>	
	<u>2009</u>	<u>2008</u>
Less than 1 year	11%	18%
1 – 2 years	16%	28%
2 – 3 years	20%	39%
More than 3 years	53%	15%

## **Portfolio Analysis - Limited Partnerships**

### **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)

### **August Equity Partners**

August Equity Partners (“August”) provides equity capital for management buy-outs, buy-ins, development capital and replacement capital in growing businesses. August will 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)

### **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 North American mid-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)

### **Elderstreet Capital Partners**

Elderstreet Capital Partners (“Elderstreet”) is a UK venture capital fund manager investing in early stage businesses within the UK. Elderstreet typically provides between £0.5 million and £5.0 million in funding for management buy-outs 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)

### **Fondinvest Capital**

Fondinvest Capital (“Fondinvest”) was founded in 1994 and is a specialist primary fund of funds and secondary funds investor. Fondinvest launched one of the first secondary funds in Europe in 1996 and currently manages over €2 billion in private equity funds. Fondinvest has offices in Paris, Tokyo and San Francisco. [www.fondinvest.com](http://www.fondinvest.com)

### **Lyceum Capital**

Established in 1999 and formerly known as West Private Equity prior to their buy-out from West LB, Lyceum Capital (“Lyceum”) invests in UK companies valued at between £10 million and £75 million in most segments of the UK market, where consolidation strategies can be actively pursued. Lyceum invests in companies requiring between £10 million and £40 million in equity. [www.lyceumcapital.co.uk](http://www.lyceumcapital.co.uk)

### **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 which source, complete, and actively manage investments in investee companies. Parallel has invested more than £1.4 billion in over 330 deals. In realising over 220 deals to date, in excess of £1.9 billion has been returned to investors. Parallel will invest up to £10 million of equity per transaction in companies valued at between £10 million and £400 million. [www.paralleprivateequity.com](http://www.paralleprivateequity.com)

### **Pragma Capital**

Pragma Capital (“Pragma”) is an independent French private equity manager founded in 2002 from a spin-out of Crédit Agricole and Crédit Lyonnais. Pragma focuses in the French middle-market and will

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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)

**Rutland Partners**

Rutland Partners (“Rutland”), founded in 1986, invests in UK and European companies which may be underperforming, in need of restructuring or entering a period of change. Rutland does not focus on any specific sectors and provides equity for management buy-outs, buy-ins, institutional buy-outs, public-to-privates, turnarounds, secondary purchases and replacement capital. Rutland will 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)

**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)

## **Portfolio Analysis 10 Largest “Underlying” Investments**

### **1. Enara**

Limited partnership	August Equity Partners II
Valuation	£5.6 million
Percentage of Portfolio	8.6%

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.

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

### **2. Advantage Healthcare**

Limited partnership	Rutland Fund I
Valuation	£4.6 million
Percentage of Portfolio	7.0%

Advantage Healthcare was formed following the acquisition of a group of businesses from BUPA and specialises in flexible healthcare staffing. It has a significant database of temporary nurses, doctors, allied health professionals and carers which are provided to the NHS, BUPA and other private carers to cover staff shortfalls and fluctuating workloads.

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

### **3. Notemachine**

Limited partnership	Rutland Fund I
Valuation	£4.5 million
Percentage of Portfolio	7.0%

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.

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

### **4. Liberty Acquisitions (“Lifeways”)**

Limited partnership	August Equity Partners I
Valuation	£4.4 million
Percentage of Portfolio	6.8%

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)

### **5. Rollford Holdings (“Rixonway”)**

Limited partnership	August Equity Partners I
Valuation	£3.3 million
Percentage of Portfolio	5.1%

Rixonway is a UK kitchen manufacturing business with a particular focus on the social housing market. The company was established in 1979 and is located in Dewsbury near Leeds.

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

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**6. Funeral Services Partnership (“FSP”)**

Limited partnership	August Equity Partners II
Valuation	£3.2 million
Percentage of Portfolio	4.9%

FSP, founded in 2007, is a consolidator of funeral care providers in the UK. August acquired FSP in 2009 and has committed £23 million to finance FSP as a buy-and-build platform in the funeral services sector.

**7. Logic Group (“Logic”)**

Direct investment	
Valuation	£2.5 million
Percentage of Portfolio	3.8%

Logic delivers the secure provision of card transaction processing, loyalty and insight programmes through its software and support services. Logic’s customers include BT Expedite, BP Oil and Tesco.  
**[www.the-logic-group.com](http://www.the-logic-group.com)**

**8. ONO Packaging (“ONO”)**

Limited partnership	Parallel Ventures 2006
Valuation	£2.3 million
Percentage of Portfolio	3.6%

ONO is a French food tray manufacturer that was acquired through a management buy-out by ICEO Capital and Parallel.

**9. Boat International (“Boat”)**

Limited partnership	August Equity Partners I
Valuation	£2.0 million
Percentage of Portfolio	3.1%

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 eight annual events across the world in London, Monaco, Fort Lauderdale, Venice, Port Cervo and New York. During 2009, Boat acquired SBI, a leading US boat magazine publisher.

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

**10. 4Projects**

Limited partnership	August Equity Partners II
Valuation	£2.0 million
Percentage of Portfolio	3.1%

4Projects is a leading UK provider of project collaboration solutions. The software solutions are delivered principally to the architecture, engineering and construction sectors. 4Projects solutions are used to co-ordinate large scale, multi-party construction projects and for the management of complex property estates.

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

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**Income Statement**

for the year ended 31 December 2009

	Year ended 31 December 2009			Year ended 31 December 2008		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Losses on investments held at fair value through profit or loss	-	(4,167)	(4,167)	-	(11,105)	(11,105)
Gains on foreign exchange	-	90	90	-	99	99
Income	932	-	932	2,378	-	2,378
Investment management fee	(756)	-	(756)	(377)	-	(377)
Administrative expenses	(682)	-	(682)	(934)	-	(934)
<b>Return on ordinary activities before finance costs and taxation</b>	<b>(506)</b>	<b>(4,077)</b>	<b>(4,583)</b>	1,067	(11,006)	(9,939)
Interest payable and similar charges	(45)	-	(45)	(70)	-	(70)
<b>Return on ordinary activities before taxation</b>	<b>(551)</b>	<b>(4,077)</b>	<b>(4,628)</b>	997	(11,006)	(10,009)
Taxation	668	-	668	(1,066)	-	(1,066)
<b>Return on ordinary activities after finance costs and taxation</b>	<b>117</b>	<b>(4,077)</b>	<b>(3,960)</b>	(69)	(11,006)	(11,075)
<b>Return per Ordinary Share</b>	<b>0.6p</b>	<b>(21.6p)</b>	<b>(21.0p)</b>	(0.4p)	(57.0p)	(57.4p)
<b>Number of Ordinary Shares in issue at year end</b>			<b>18,850,212</b>			18,850,212
<b>Average number of Ordinary Shares in issue during the year</b>			<b>18,850,212</b>			19,280,488

The total columns of this statement represent the profit and loss account of the Company. The revenue and capital columns are supplementary to this and are provided in accordance with guidance issued by the Association of Investment Companies. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly, no Statement of Total Recognised Gains and Losses is 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.

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**Reconciliation of Movement in Shareholders' Funds**

for the year ended 31 December 2009

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Shareholders' funds £'000
<b>Year ended 31 December 2009</b>						
<b>Balance at 1 January 2009</b>	984	17,321	705	40,573	1,431	61,014
Net return from ordinary activities	-	-	-	(4,077)	117	(3,960)
Rebate of commission on share buybacks	-	-	-	4	-	4
<b>Balance at 31 December 2009</b>	<b>984</b>	<b>17,321</b>	<b>705</b>	<b>36,500</b>	<b>1,548</b>	<b>57,058</b>

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Shareholders' funds £'000
<b>Year ended 31 December 2008</b>						
<b>Balance at 1 January 2008</b>	987	17,321	702	53,876	1,630	74,516
Net return from ordinary activities	-	-	-	(11,006)	(69)	(11,075)
Dividend paid in respect of year ended 31 December 2007	-	-	-	-	(130)	(130)
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>40,573</b>	<b>1,431</b>	<b>61,014</b>

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

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**Balance Sheet**

at 31 December 2009

	2009	2008
	£'000	£'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	61,639	61,079
	-----	-----
<b>Current assets</b>		
Debtors	428	197
Cash at bank	4,610	2,277
	-----	-----
	5,038	2,474
	-----	-----
<b>Creditors</b>		
Amounts falling due within one year	(9,619)	(2,539)
	-----	-----
<b>Net current liabilities</b>	<b>(4,581)</b>	<b>(65)</b>
	-----	-----
<b>Net assets</b>	<b>57,058</b>	61,014
	=====	=====
<b>Capital and reserves</b>		
Called up share capital	984	984
Share premium	17,321	17,321
Capital redemption reserve	705	705
Capital reserve	36,500	40,573
Revenue reserve	1,548	1,431
	-----	-----
<b>Equity Shareholders' funds</b>	<b>57,058</b>	61,014
	=====	=====
<b>Net asset value per Ordinary Share</b>	<b>302.7p</b>	323.7p
	=====	=====

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**Cash Flow Statement**

for the year ended 31 December 2009

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(534)</b>	550
<b>Servicing of finance</b>		
Bank interest paid	(47)	(74)
<b>Taxation</b>		
Tax (paid) / received	(1)	119
<b>Financial investment</b>		
Purchase of listed fixed asset investments	(13)	(13,228)
Purchase of unlisted fixed asset investments	(11,116)	(16,395)
Sale of listed fixed asset investments	3,499	15,288
Sale of unlisted fixed asset investments	2,903	13,056
Net cash outflow from financial investment	(4,727)	(1,279)
<b>Equity dividends paid</b>	-	(130)
<b>Net cash outflow before financing</b>	<b>(5,309)</b>	(814)
<b>Financing</b>		
Purchase of Ordinary Shares	4	(2,297)
Bank loan draw down	7,728	-
<b>Increase / (decrease) in cash</b>	<b>2,423</b>	(3,111)
Net funds at start of the year	968	3,980
Gains on foreign exchange	90	99
<b>Net funds at end of the year</b>	<b>3,481</b>	968

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**Notes to the Financial Statements**

**1. Accounting policies**

The principal accounting policies have been applied consistently throughout the year ended 31 December 2009, are unchanged from 2008 and are set out below.

The financial statements have been prepared on a going concern basis, as described in note 18(e) of the Annual Report 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 financial statements in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP'), issued by The Association of Investment Companies in January 2009 (adopted early), which has not resulted in the restatement of prior years figures.

The Company has adopted an amendment to FRS 29: 'Financial Instruments: Disclosures', issued in May 2009, in these financial statements. The amendment introduces new disclosures relating to financial instruments. This amendment does not have any impact on the valuation of the Company's financial instruments.

<b>2. Income</b>	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Income from fixed asset investments</b>		
Franked income:		
Dividends from listed UK investments	<b>60</b>	86
Dividends from unlisted UK investments	<b>4</b>	-
	-----	-----
	<b>64</b>	86
Unfranked income:		
Dividends from listed overseas investments	<b>101</b>	119
Distributions from UK unlisted investments	<b>695</b>	1,730
Listed UK treasury gilts	-	90
Listed UK loan stock investments	<b>62</b>	35
Listed overseas treasury gilts	<b>5</b>	90
	-----	-----
	<b>863</b>	2,064
 Total income from fixed asset investments	 <b>927</b>	 2,150
 <b>Other income</b>		
Deposit interest	<b>5</b>	168
Other income	-	60
	-----	-----
	<b>5</b>	228
	-----	-----
	<b>932</b>	2,378
	=====	=====

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<b>2. Income (continued)</b>	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Income from fixed asset investments:</b>		
Listed	228	420
Unlisted	699	1,730
	-----	-----
	<b>927</b>	2,150
	=====	=====
 <b>3. Investment Management Fees</b>	 <b>2009</b>	 2008
	<b>£'000</b>	£'000
Investment management fee – charged to revenue	756	803
VAT on management fee recovered from HMRC	-	(426)
	-----	-----
	<b>756</b>	377
	=====	=====

**4. Taxation**

	2009	2009	2009	2008	2008	2008
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>a) Analysis of tax charge for the year:</b>						
UK corporation tax at 28% (2008: 28.5%*)	(14)	-	(14)	775	-	775
Adjustment in respect of prior years	(654)	-	(654)	291	-	291
	-----	-----	-----	-----	-----	-----
Total tax for the year (note 4b)	<b>(668)</b>	-	<b>(668)</b>	1,066	-	1,066
	=====	=====	=====	=====	=====	=====

**b) Factors affecting tax charge for the year:**

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 28% (2008: 28.5%\*). The differences are explained below:

Return on ordinary activities before taxation	(551)	(4,077)	(4,628)	997	(11,006)	(10,009)
	-----	-----	-----	-----	-----	-----
Tax thereon at 28% (2008: 28.5%*)	(154)	(1,142)	(1,296)	284	(3,136)	(2,852)
Tax on undistributed income of limited partnerships	334	-	334	516	-	516
Non taxable UK dividend income	(175)	-	(175)	(25)	-	(25)
Non taxable foreign dividend income	(19)	-	(19)	-	-	-
Non taxable capital losses	-	1,142	1,142	-	3,136	3,136
Prior year adjustment <sup>#</sup>	(654)	-	(654)	291	-	291
	-----	-----	-----	-----	-----	-----
Current tax charge	<b>(668)</b>	-	<b>(668)</b>	1,066	-	1,066
	=====	=====	=====	=====	=====	=====

\* Under the Finance Act 2008, the rate of corporation tax was lowered to 28% from 1 April 2008.

# The prior year adjustment primarily relates to an estimated provision raised in the 2008 year that has been released in the current year following successful negotiation with the Inspector of Taxes. This negotiation resulted in refunds due which have been included within debtors.

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5.	<b>Dividends on Ordinary Shares</b>	<b>2009</b>	2008
	Amounts recognised as distribution to ordinary shareholders in the year.	<b>£'000</b>	£'000
	Dividends paid on Ordinary Shares of 5p each:		
	2008 Final: nil (2007 Final: 0.66p per Ordinary share paid on 19,732,212 shares)	-	130
		-----	-----
		-	130
		=====	=====

No dividend is proposed in respect of the year ended 31 December 2009 (2008: nil)

6.	<b>Return per Ordinary Share</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>	2008	2008	2008
		<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	Revenue	Capital	Total
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
	Attributable to Ordinary Shareholders	<b>117</b>	<b>(4,077)</b>	<b>(3,960)</b>	(69)	(11,006)	(11,075)
		-----	-----	-----	-----	-----	-----
	Return per Ordinary Share	<b>0.6p</b>	<b>(21.6p)</b>	<b>(21.0p)</b>	(0.4p)	(57.0p)	(57.4p)
		=====	=====	=====	=====	=====	=====

The return per Ordinary Share is based on the weighted average number of 18,850,212 Ordinary Shares in issue (2008: 19,280,488)

7.	<b>Commitments</b>	<b>2009</b>	2008
	The level of outstanding commitments at the year end was:	<b>£'000</b>	£'000
	August Equity Partners II	<b>16,423</b>	20,014
	Rutland Fund I	<b>8,233</b>	8,537
	Rutland Fund II	<b>7,072</b>	8,210
	Lyceum Capital Fund II	<b>4,216</b>	4,615
	Fondinvest Capital VIII	<b>3,693</b>	4,005
	Pragma Capital II	<b>3,665</b>	5,072
	Astorg IV	<b>1,794</b>	3,576
	KB Fund III and KB Fund IIIB	<b>1,791</b>	1,791
	Parallel Ventures 2006	<b>1,678</b>	2,218
	Century Capital Partners Fund IV	<b>1,310</b>	1,946
	August Equity Partners I	<b>691</b>	1,174
	Zeus Private Equity Fund	<b>527</b>	694
	Elderstreet Capital Partners	<b>31</b>	31
		-----	-----
	Outstanding commitments	<b>51,124</b>	61,883
		=====	=====

In addition, the Company had a potential commitments of £186,000 (2008: £209,000) in respect of exercise of warrants.

As explained in the Investment Review above, it is unlikely that these commitments will be fully called as some partnerships are now past their initial five-year investment period and also as a portion of commitments tend to be reserved as a contingency. It is expected that likely drawdowns over the next three years will be £38.0 million.

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8. **Net Asset Value per Ordinary Share**

The Net Asset Value per Ordinary Share (which equals the net value attributable to the Ordinary Shares at the year end calculated in accordance with the Articles of Association) was as follows:

	<b>2009</b>	2008
Net Asset Value per Ordinary Share	<b>302.7p</b>	323.7p
Net Asset Value attributable to Ordinary Shares of 5p	<b>£57,058,000</b>	£61,014,000

The Net Asset Value per ordinary share is based on 18,850,212 (2008: 18,850,212) ordinary shares in issue at the year end.

9. **2009 Financial Information**

The figures and financial information for 2009 are extracted from the annual financial statements for that period and do not constitute the statutory accounts. The Company's annual financial statements for the year ended 31 December 2009 have been audited but have not yet been delivered to the Registrar of Companies. The auditors' report on the 2009 annual financial statements was unqualified, did not include a reference to any matter to which the auditors drew attention without qualifying the report, and did not contain any statements under section 498 of the Companies Act 2006.

10. **2008 Financial Information**

The figures and financial information for 2008 are extracted from the published Annual Report and Financial Statements for the year ended 31 December 2008 and do not constitute the statutory accounts for that year. The 2008 Annual Report and Financial Statements has 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 either section 237(2) or section 237(3) of the Companies Act 1985.

11. **Annual Report and Financial Statements**

Copies of the Annual Report and Financial Statements will be posted to shareholders in May 2010 and will be available on the Company's website ([www.hendersonprivateequity.com](http://www.hendersonprivateequity.com)) or in hard copy format from the Registered Office, 201 Bishopsgate, London EC2M 3AE.

12. **Annual General Meeting**

The Annual General Meeting will be held on Thursday 17 June 2010 at 3.00 pm at 201 Bishopsgate, London EC2M 3AE.

For further information please contact:

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