

Henderson Private Equity Investment Trust plc

Report and Financial Statements for the year ended 31 December 2010



Henderson Private Equity Investment Trust plc

Objective	To conduct an orderly realisation of the assets of the Company in a manner that seeks to maximise their value and return cash to Shareholders promptly.
Policy	The Company may not make any new investments save that (a) investments may be made to honour commitments to funds under existing contractual arrangements; (b) further investments may be made into the Company's sole direct investment, The Logic Group Holdings Limited, in order to preserve the value of such investment; and (c) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds, or bank cash deposits pending its return to Shareholders in accordance with the Company's investment objective.
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.
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Financial Highlights

	31 December 2010	31 December 2009	Change %
Net Assets ⁽¹⁾	£62.3m	£57.1m	9.1%
Net Asset Value per share ⁽¹⁾	330.4p	302.7p	9.1%
Share price ⁽²⁾	221.5p	130.0p	70.4%
Discount ⁽¹⁾	33.0%	57.1%	N/A
FTSE All-Share Index ⁽²⁾	3,062.9	2,760.8	10.9%
LPX Indirect Index ^{(2)*#}	38.6	26.8	44.0%
LPX Europe Index ^{(2)#}	338.8	253.2	33.8%

(1) Source: Henderson Global Investors Limited.

(2) Source: Morningstar.

*The LPX Indirect Index represents the private equity companies most comparable to the Company traded on a European exchange.

#Sterling adjusted.

Performance Graph



Rebased to 100 at 31 December 2009.

Source: Henderson Global Investors Limited.

The new investment objective and policy of the Company was approved by Shareholders on 27 September 2010.

Chairman's Statement

The financial year ended 31 December 2010 was one of strategic change for the Company. On 27 September 2010 Shareholders voted decisively in favour of the asset realisation strategy recommended to them by the Board with the full support of the Portfolio Manager. The change of strategy was designed to address the Company's relatively high share price discount to Net Asset Value ("NAV") per share which was, amongst other things, a function of its lack of scale and the limited liquidity in its own shares. Pleasingly, the Company's share price discount to NAV per share has narrowed significantly since the change of strategy was adopted.

Share Price and Valuation

During the year ended 31 December 2010, the Company's share price rose by 70.4% to 221.5p. This represented a 33.0% discount to NAV of 330.4p per share at the year end. Since the year end to 21 April 2011 the share price has risen a further 23.0% to 272.5p per share and the discount has narrowed further to 17.5%.

The Company's investment portfolio continued to perform creditably despite the continuing macro-economic uncertainty across Europe. At 31 December 2010 the total value of the Company's investments, including cash and listed holdings, was £78.5 million, compared to £65.1 million at 31 December 2009. Over the same period the Company's net assets increased by 9.1% from £57.1 million to £62.3 million. Further information on the Company's investment portfolio is provided in the Portfolio Analysis and the Portfolio Manager's Investment Review on pages 4 to 12.

Liquidity and Outstanding Commitments to Limited Partnership Funds

Cash resources of £0.1 million combined with £4.7 million of listed holdings meant that the Company held £4.8 million of liquid assets at 31 December 2010. In addition, the Company had a committed bank facility of £30.0 million, of which £15.7 million was drawn. The Company therefore had £19.1 million of liquid assets and funding capacity at the year end compared

with £34.1 million of outstanding commitments to limited partnership funds, of which £28.3 million was forecast to be drawn over the next three years.

The Company's liquidity and commitment position improved significantly after the year end following the completion of the sale of the Company's limited partnership fund commitment to August Equity Partners II A. The transaction completed on 4 March 2011 at a price equivalent to the fund's 30 September 2010 NAV and generated cash proceeds of £16.8 million. £16.0 million of the proceeds were used to repay the Company's bank borrowings outstanding on 4 March 2011. In addition, the sale released the Company from £12.0 million of undrawn commitments. For the avoidance of doubt, however, the Company's £30.0 million committed bank facility will remain in place until 1 May 2012 unless the Company elects to cancel part or all of it prior to that date.

The Board works closely with the Portfolio Manager to assess and update the Company's cashflow projections on a regular basis. 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 its future commitments until the asset realisation strategy is complete.

Chairman's Statement

continued

Investment Strategy – Asset Realisation

As mentioned above, the first sale from the Company's portfolio, consistent with the asset realisation strategy approved by Shareholders on 27 September 2010, completed on 4 March 2011. Further sales of the Company's assets are in progress. As indicated in the Shareholder Circular issued in relation to the change of investment strategy, whilst there is no fixed timeframe for the asset realisation programme, the current expectation is that it is likely to be materially complete within two years of the date of Shareholder approval having been obtained in September 2010.

Dividend

It remains the Company's policy to pay dividends only to the extent required to maintain investment trust status. In this regard, in order to meet the s1158 income retention test for the period ended 31 December 2009, it was necessary for the Company to declare a dividend of approximately £50,000, equating to a payment of 0.27p per Ordinary Share. The dividend was paid on 7 April 2011 to Shareholders on the register on 18 March 2011. While the dividend was of a *de minimis* nature it was required in order for the Company to continue as an investment trust. The estimated cost to the Company of paying the dividend was approximately £1,600.

Outlook

A promising start has been made to the Company's asset realisation strategy with the successful disposal of its holding in August Equity Partners II A. The indications are that the secondary market for private equity limited partnership funds, which experienced a significant recovery during 2010, has remained strong as investors seek ways to increase their exposure to the private equity asset class. The Company will endeavour to take advantage of these favourable sellers' market conditions during the remainder of the current financial year.

Whilst there is always the risk that the fragile macro-economic outlook across Europe will negatively impact the value of the Company's portfolio, the Board is confident that, barring major macro-economic setbacks, the Company's revised strategy is well-timed and is likely to continue to support the recent improvement in the Company's share price.

John Mackie CBE

Chairman

27 April 2011

Investment Review

In last year's Portfolio Manager's Investment Review the narrowing of the Company's share price discount to NAV per share was described as a key priority for the Portfolio Manager. It is therefore gratifying to record that by 31 December 2010 the discount had fallen to 33.0% compared with 57.1% at 31 December 2009. Moreover, as already mentioned in the Chairman's Statement, the discount has continued to narrow since the year end.

This improvement is, to a significant degree, attributable to the Company's adoption, on 27 September 2010, of the asset realisation strategy recommended to Shareholders by the Board with the full support of the Portfolio Manager. The revised strategy was regarded by the market as a decisive and welcome response to the Company's long-term problems of lack of scale and poor liquidity in its own shares.

It is also the case, however, that the financial year ended 31 December 2010 witnessed both a solid performance from the Company's investment portfolio and a significant improvement in the Company's liquidity position following the extension of its £30.0 million committed bank facility to May 2012. These factors therefore also helped to underpin the 70.4% increase in the Company's share price during the financial year ended 31 December 2010 and the further increase up to the time of writing.

Despite the Company's satisfactory underlying performance, it is the case that its main area of focus, the European mid-market buy-out sector, continued to experience subdued levels of new investment and realisation activity. The reasons for this continued to be the generally reduced availability of debt finance, uncertainty regarding the deliverability of business plans in a fragile macro-economic environment, the reluctance of sellers to dispose of good quality businesses at anything other than full prices and, finally, the sluggish IPO markets.

Investment Activity

Limited Partnership Investments

No new limited partnership commitments were made by the Company during the financial year. Prior to the adoption of the asset realisation strategy on 27 September 2010 this reflected continued caution regarding the Company's existing level of commitments, particularly given the scarcity of exit activity within the underlying investment portfolio. From 27 September 2010 it became the Company's policy to stop making any new limited partnership commitments on a permanent basis. For the avoidance of doubt, undrawn commitments to existing limited partnership funds will continue to be met until those funds are either sold or reach the end of their contractual lives.

During the year drawdowns under existing limited partnership commitments totalled £15.4 million. This included 11 new investments with a combined value of circa £6.3 million. The largest of these was August Equity Partners II A's investment in Active Assistance, a UK complex homecare provider, the Company's share being £3.0 million. The balance of the limited partnership drawdowns related primarily to follow-on investments in existing portfolio companies.

Distribution activity remained at a relatively low level during the year with a total of £4.0 million being received from the Company's limited partnership investments. This included £1.2 million from Rutland Fund I, representing loan note interest and principal payments by Advantage Healthcare, a supplier of staff to the UK's healthcare sector. In addition, August Equity Partners I sold its remaining holding in Imagine Publishing, a UK based magazine publisher, generating £0.9 million for the Company.

Listed Investments

No new listed private equity investments were made during the year. Again, in view of the Company's change of investment strategy, the Company will now not make any new investments into listed private equity vehicles.

The existing listed investment portfolio underwent further rationalisation during the year in order to focus on a number of core holdings with a predominantly European mid-market buy-out flavour. Accordingly three shareholdings 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, in order to generate liquidity for the Company, it was necessary to sell most of the Company's holding in HgCapital Trust for £1.1 million. The proceeds from these disposals, which amounted to £1.5 million, represented a net increase of 26.4% against their combined valuation at the time of the change of Portfolio Manager in May 2009.

Portfolio Valuation

At 31 December 2010 the total value of the Company's investments including cash was £78.5 million of which £71.2 million represented investments in limited partnerships. This compares with £65.1 million and £53.7 million respectively at the 31 December 2009 year end.

It should be noted that the 31 December 2010 valuation includes adjustments to reflect the estimated secondary market value of limited partnership holdings which are expected to be sold prior to the end of their contractual lives as part of

Investment Review

continued

the Company's asset realisation programme. Overall, these adjustments were negative and totalled £1.7 million.

Limited Partnership Investments

The skills of the managers of the Company's limited partnership investments were again in evidence during the year. Despite the fragile state of Europe's economies, the overall performance of the 70 businesses which comprised the underlying company limited partnership portfolio at the year end was satisfactory. This was the result of a combination of efficiency savings, organic growth and growth by add-on acquisition at sensible purchase prices. In addition, it is the case that debt multiples in the Company's main area of focus, the mid-market buy-out sector, have tended to be generally lower than in the large buy-out arena. As a result, debt levels have created less financial risk and have had less impact on the operational flexibility of the Company's underlying portfolios. This is reflected by the fact that during the year none of the Company's limited partnership investments suffered any material permanent portfolio equity losses.

Generally, the Company's limited partnerships continue to provide a good level of detail regarding the multiples used in valuing their portfolios. This then allows for review and discussion on valuations with the relevant managers to assess their reasonableness and, if necessary, for any adjustments to be made. No such adjustments were considered necessary in relation to individual underlying company valuations at the 31 December 2010 year end.

As mentioned above, however, valuation adjustments have been made to certain funds to reflect their estimated secondary market value given the Portfolio Manager's intention to sell them prior to the end of their contractual lives.

Due to FSA Disclosure and Transparency Rule 4.2 requiring the Company to release its full year accounts by 30 April 2011, it has not been possible to update all limited partnership valuations using audited reports for the year ended 31 December 2010. As a result, 42.3% of the limited partnership portfolio has been valued using 31 December 2010 audited reports and 34.1% using unaudited valuations at 31 December 2010. It should be noted, however, that discussions with those limited partnerships that have not yet provided their audited reports indicate that any valuation changes will not be material. In addition, it is the case that 23.6% of the limited partnership portfolio has been valued using the sales proceeds received on 4 March 2011 from the disposal of the Company's limited partnership interest in August Equity Partners II A (see below for further details).

Additional information on the Company's portfolio, including details of underlying investments held through limited partnerships, can be found on pages 7 to 12.

Listed Investments

As stated above, a number of listed investments were sold during the year. The remaining listed portfolio comprising eight holdings, was valued at £4.7 million at the year end. This compared with £3.9 million at 31 December 2009 on a like-for-like basis.

Liquidity

A key challenge facing the Portfolio Manager at the start of the financial year under review was to renew and extend the Company's £30.0 million committed bank facility in order to ensure that the Company had sufficient funding to meet its limited partnership investment commitments over the next few years. This was critical to avoid the Company potentially becoming a forced seller of some of its limited partnership holdings at possibly distressed prices. The £30.0 million committed bank facility was successfully renewed in late April 2010 and extended to 1 May 2012.

At the year end the Company's liquidity position was satisfactory. Liquid assets of £4.8 million, the undrawn element of the committed bank facility of £14.3 million and future distributions from a maturing portfolio are available to fund estimated limited partnership drawdowns of £28.3 million through to the end of 2013. This estimate reflects the fact that not all of the Company's undrawn commitments, which total £34.1 million, are likely to be drawn in full. This is because some partnerships are now past their initial five-year investment period and in any event, a portion of commitments are often reserved as a contingency.

As mentioned in the Chairman's Statement, the Company's liquidity position was further enhanced after the year end as a result of the sale of the Company's limited partnership holding in August Equity Partners II A. This transaction was completed on 4 March 2011 and generated cash proceeds of £16.8 million, most of which was used to repay £16.0 million of bank facility borrowings. In addition, the Company was released from a £12.0 million undrawn limited partnership commitment. The sale therefore facilitated a substantial degearing of the Company.

Asset Realisation Strategy – Progress and Prospects

Secondary market pricing for private equity limited partnership holdings, which represented 91% of the Company's total assets at the year end, improved significantly during 2010.

Investment Review

continued

Demand has remained strong into the current year. This strength was reflected in the pricing achieved for the Company's limited partnership holding in August Equity Partners II A which, after an extended competitive process, was sold for 99.7% of the fund's 30 September 2010 NAV, as provided by the fund manager. This represented a strong start to the Company's asset realisation programme.

On 21 April 2011 the Company also announced the sale of its limited partnership commitment to Elderstreet Capital Partners. Proceeds from the sale, combined with a distribution received from the fund in March, totalled £231,000.

Further sales of the Company's later vintage limited partnership holdings are likely to take place during the remainder of 2011. If completed, these disposals will release the Company from most of its remaining undrawn limited partnership commitments.

The Company's earlier vintage limited partnership funds, which hold only a limited number of key remaining investments and have minimal undrawn commitments, are likely to be held to the end of their contractual lives. It should be noted that these funds are currently well-positioned to benefit from the lack of good quality mid-market businesses currently available to buyers of all types. This is resulting in upward pressure on selling prices.

Despite improvements in the share prices of a number of the Company's listed holdings since the financial year end, the share price discounts to NAV per share still offer, in the Portfolio Manager's opinion, some scope for improvement.

These holdings will, however, be sold as suitable opportunities arise, as was the case with the Company's investment in Private Equity Investor, which was disposed of after the year end, generating proceeds of £388,469.

Outlook

It is the case that the value of the Company's investment portfolio remains vulnerable to any significant setback to economic recovery in Europe and falls in public markets' valuations.

Notwithstanding this uncertain backdrop, the Company is well-positioned to consolidate, and hopefully build on, its recent improved share price and discount performance. This view is supported principally by the Company's considerably stronger liquidity position, its clear strategy to return cash to Shareholders over a reasonable period of time, the continued good secondary market demand for the Company's later vintage limited partnership funds and the opportunity for its earlier vintage funds to dispose of their remaining underlying investments into a sellers' market.

Ian Barrass

Portfolio Manager
Henderson Global Investors Limited
27 April 2011

Investment Portfolio

The Company's investments at 31 December 2010 were:

Company	Category	Country/ Region	Vintage/ Investment date	Cost £'000	Valuation as at 31 December 2010 £'000	% of portfolio
August Equity Partners II A*	Limited Partnership	UK	2007	15,146	16,820	21.4
Rutland Fund I	Limited Partnership	UK	2000	18,479	13,813	17.6
Parallel Ventures 2006	Limited Partnership	UK	2006	9,636	11,885	15.1
August Equity Partners I	Limited Partnership	UK	2001	10,249	10,503	13.4
Astorg IV	Limited Partnership	France	2008	3,894	6,012	7.7
Rutland Fund II	Limited Partnership	UK	2007	3,366	3,177	4.0
Pragma Capital II	Limited Partnership	France	2007	2,586	2,702	3.4
Century Capital Partners Fund IV	Limited Partnership	US	2007	1,945	2,593	3.3
Logic Group	Direct Investment	UK	2000	2,500	2,500	3.2
Lyceum Capital Fund II	Limited Partnership	UK	2007	1,210	1,572	2.0
Ten largest investments				69,011	71,577	91.1
Fondinvest Capital VIII	Limited Partnership	France	2007	1,538	1,532	2.0
Graphite Enterprise	Listed	UK	2007	2,218	1,480	1.9
EIH	Listed	India	2007	1,076	805	1.0
SVG Capital 8.25%						
Convertible Bonds 2016	Listed	UK	2007	750	711	0.9
Wendel Investments	Listed	Europe	2007	740	500	0.6
Reconstruction Capital II	Listed	Eastern Europe	2007	968	455	0.6
Private Equity Investor	Listed	US	2008	265	365	0.5
Zeus Private Equity Fund	Limited Partnership	UK	2007	377	312	0.4
Elderstreet Capital Partners	Limited Partnership	UK	1999	279	251	0.3
Dinamia	Listed	Spain	2007	441	237	0.3
Twenty largest investments				77,663	78,225	99.6
HgCapital Trust	Listed	UK	2007	92	132	0.2
Total investments				77,755	78,357	99.8
Cash					137	0.2
Total portfolio					78,494	100.0

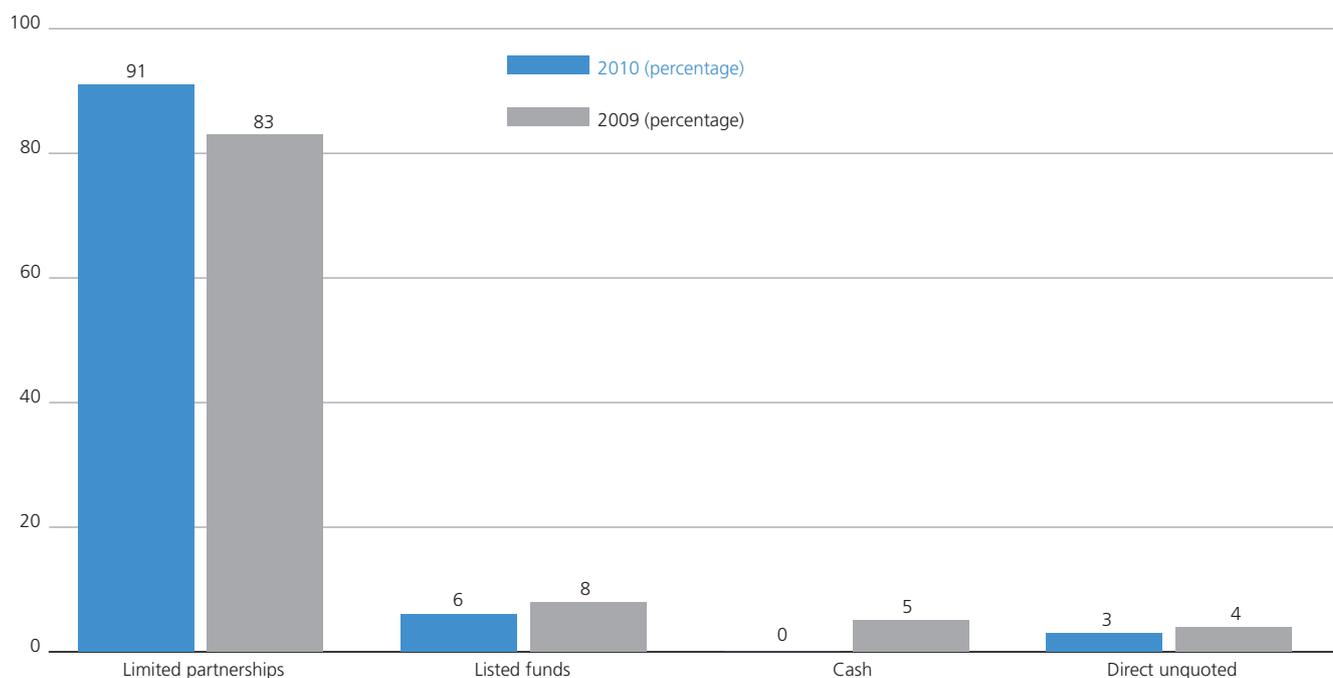
* Sold post year end on 4 March 2011

Portfolio Analysis

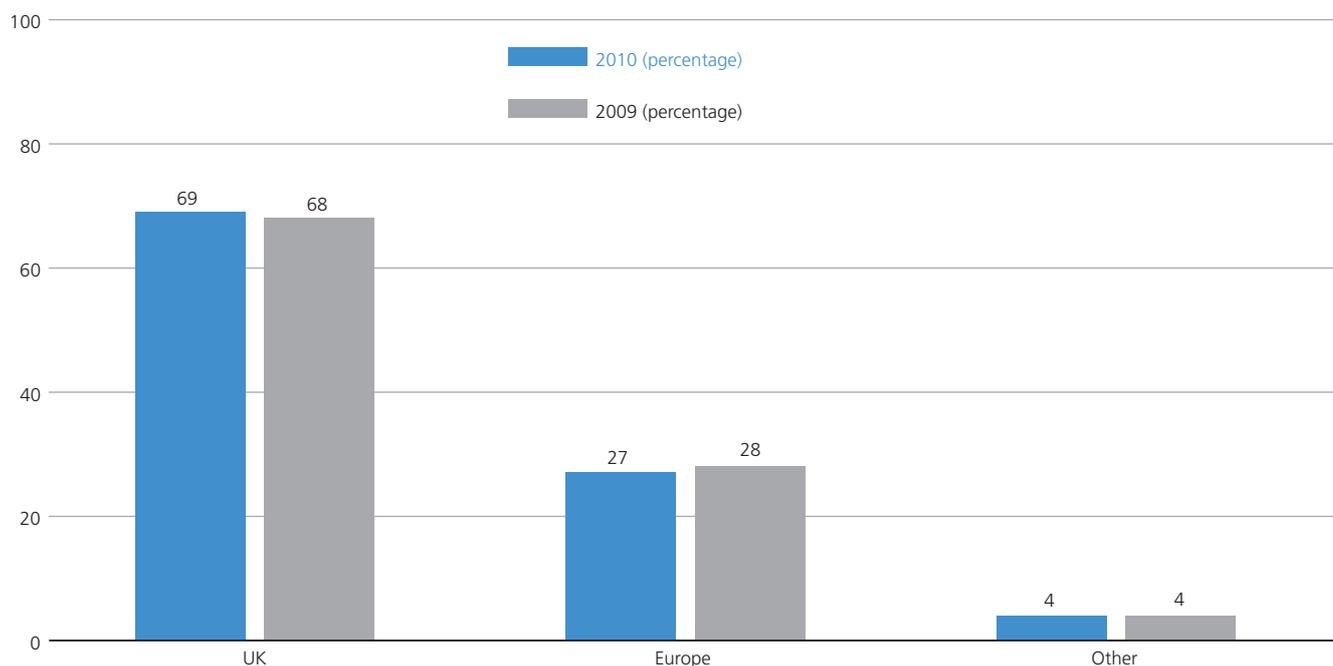
As at 31 December 2010

Source: Henderson Global Investors Limited

Type of investment by value



Geographical exposure of investments by value

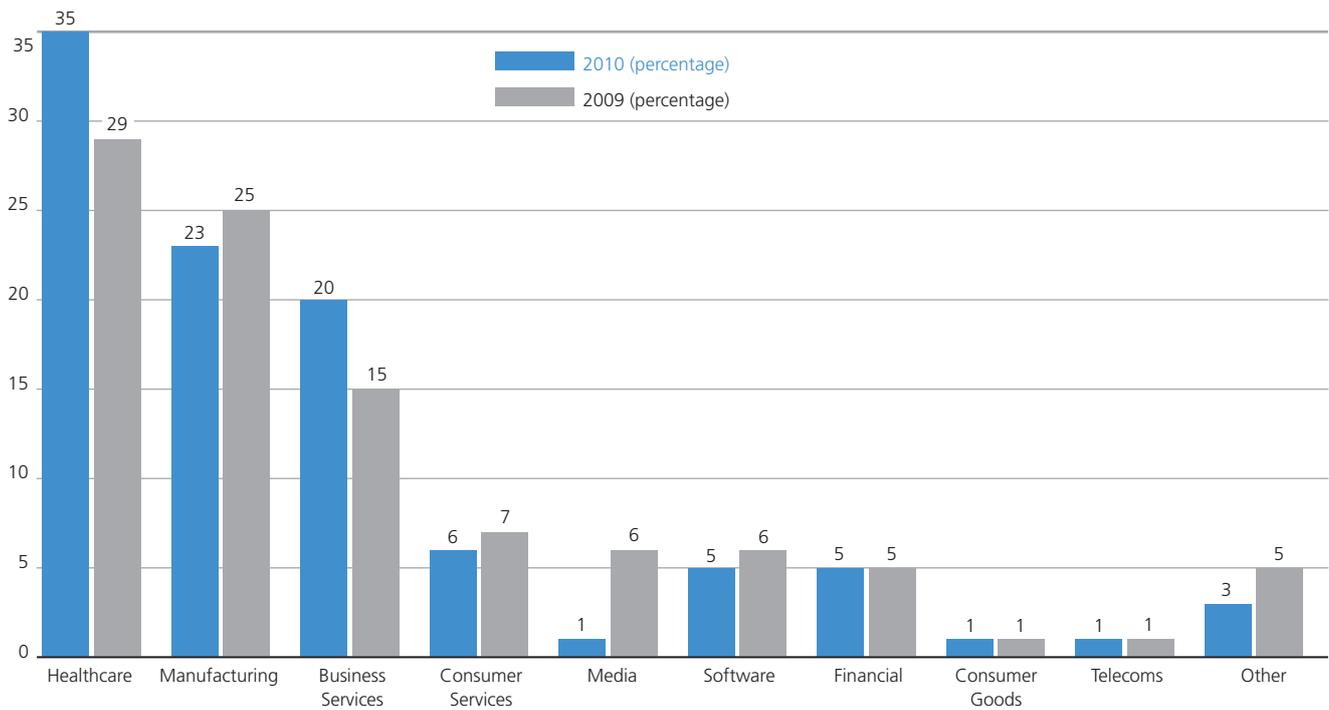


Portfolio Analysis continued

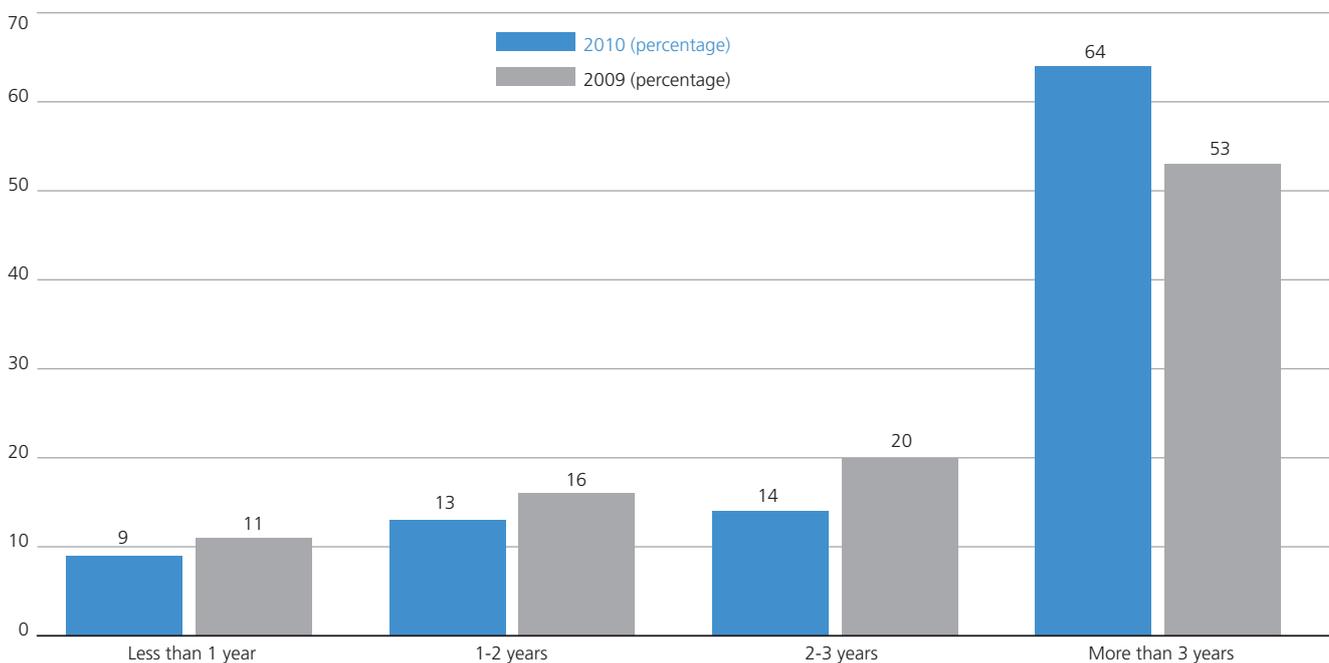
As at 31 December 2010

Source: Henderson Global Investors Limited

Sector exposure of underlying companies in limited partnerships by value



Underlying companies in limited partnerships investment vintages by value



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 invest at least €15 million of equity into companies valued between €100 million and €800 million primarily in the healthcare, professional services and retail sectors.

www.astorg-partners.com

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

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 invest equity of between US\$10 million and US\$30 million in individual transactions.

www.centurycap.com

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 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

Fondinvest Capital

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

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 business and consumer service industries, where consolidation strategies can be actively pursued. Lyceum will invest in companies requiring between £10 million and £40 million of equity.

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 investee companies. They have 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

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 on the French middle-market and will typically invest between €10 million and €35 million into companies valued at between €50 million and €250 million across a wide variety of sectors.

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 companies valued at between £20 million and £200 million.

www.rutlandpartners.com

Palatine Private Equity (formerly Zeus Private Equity)

Palatine Private Equity (“Palatine”) was formed in 2005 by a team who had previously worked together at Aberdeen Murray Johnstone Private Equity. Palatine 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.palatinepe.com

Portfolio Analysis – 10 Largest “Underlying” Investments

1. Enara*

Limited partnership	August Equity Partners II A
Valuation	£7.9 million
Percentage of Portfolio	10.1%

Enara is a leading provider of both private and social services-based home care in London and the South East. It focuses on care for the elderly and adults with complex care needs.

www.enara.co.uk

2. Notemachine

Limited partnership	Rutland Fund I
Valuation	£7.4 million
Percentage of Portfolio	9.4%

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 and in Germany. The business currently operates approximately 7,200 ATMs.

www.notemachine.com

3. Liberty Acquisitions (“Lifeways”)

Limited partnership	August Equity Partners I
Valuation	£6.3 million
Percentage of Portfolio	8.0%

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 1,650 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

4. Advantage Healthcare

Limited partnership	Rutland Fund I
Valuation	£5.8 million
Percentage of Portfolio	7.4%

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, other health professionals and carers who are provided to the NHS, BUPA and other private carers to cover staff shortfalls and fluctuating workloads.

www.advantagehealthcare.com

5. Active Assistance*

Limited partnership	August Equity Partners II A
Valuation	£3.3 million
Percentage of Portfolio	4.2%

Active Assistance is a market leader in care at home for people with spinal injuries and a provider of complex home care for a wide range of conditions including cerebral palsy, clinical dementia and neurological injuries.

www.activeassistance.com

6. Rollford Holdings (“Rixonway”)

Limited partnership	August Equity Partners I
Valuation	£3.3 million
Percentage of Portfolio	4.2%

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

Portfolio Analysis – 10 Largest “Underlying” Investments

continued

7. NORMA Group (“NORMA”)**

Limited partnership	Parallel Ventures 2006
Valuation	£3.2 million
Percentage of Portfolio	4.1%

NORMA is a global market and technology leader in niche markets for engineered joining technology offering more than 35,000 products and solutions to approximately 10,000 customers in 80 countries.

9. Logic Group

Limited partnership	Direct investment
Valuation	£2.5 million
Percentage of Portfolio	3.2%

Logic Group delivers the secure provision of card transaction processing, loyalty and insight programmes through its software and support services.

www.the-logic-group.com

8. Funeral Services Partnership (“FSP”)*

Limited partnership	August Equity Partners II A
Valuation	£3.2 million
Percentage of Portfolio	4.0%

FSP, founded in 2007, is a consolidator of funeral care providers in the UK. August Equity Partners acquired FSP in 2009.

10. 4Projects*

Limited partnership	August Equity Partners II A
Valuation	£1.8 million
Percentage of Portfolio	2.2%

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

www.4projects.com

**After the year end, these underlying investments were sold as part of the disposal of the Company’s commitment to August Equity Partners II A.*

***NORMA was subject to an IPO announced on 8 April 2011 via the Frankfurt Stock Exchange.*

Directors

John Mackie CBE (Chairman), aged 57. Joined the Board on 1 January 2006 and became Chairman on 11 August 2006. He had an early career in retail management before qualifying as a chartered accountant in 1985 and thereafter started working in the private equity sector, originally with 3i and then with Morgan Grenfell Development Capital. From 2000 to 2005 he was chief executive of the British Venture Capital Association. He is currently a partner at Parallel Private Equity LLP.

Terry Connor (Senior Independent Director), aged 55. Appointed to the Board on 1 November 2004. He became Senior Independent Director with effect from 2 November 2006 and chairman of the Audit Committee with effect from 19 March 2009. He was a media analyst with James Capel subsequently joining Mirror Group plc in 1993, as part of a new management team. Currently a non executive director of the Financial Services Compensation Scheme, a member of the Legal Services Board and trustee of the Africa Educational Trust. He is also a member of Hertfordshire Police Authority.

Barry Dean, aged 61. Joined the Board in May 2000. He is a qualified chartered accountant and was formerly managing director of Dresdner Kleinwort Benson Private Equity Limited. Currently a non executive director of ProVen VCT plc, Elderstreet VCT plc and Downing Absolute Income VCT 2 plc. In addition, he is a consultant to Elderstreet Private Equity Limited, a member of the advisory committee of Parallel Private Equity LLP and a member of the investment committee of Beamreach Capital LLP.

Ian Orrock, aged 64. Appointed to the Board on 1 January 2005. He is a technology-orientated engineer and general manager having extensive international experience with United Telecom, Racal Electronics and Meridian. He has built his own and other businesses and turned around specialist engineering, computer and telecom companies in both the private and public sector. Between 1992 and 2000 he was the chairman and chief executive officer of Roxspur Plc and from 2002 to 2008 was chief executive officer then also chairman of Vianet Group plc. He is currently chairman and chief executive of Arkessa Limited, a director of Baronsmead Venture Capital Trust III Limited and is involved with a number of technology, media and telecoms companies.

All Directors are non-executive and are independent of the Manager.

All Directors are members of the Audit Committee, Nominations Committee and Management Engagement Committee.

Management

Ian Barrass is the Portfolio Manager. He has over twenty-six years' finance experience encompassing private equity investment and portfolio management, leveraged senior debt lending, corporate restructuring and small business ownership. He now manages Henderson Equity Partners' private equity fund of funds portfolios. He joined Henderson Equity Partners in 2005 having previously worked for Citigroup and Charterhouse Bank Limited. Ian has a BA (Hons) in Modern History from Oxford University.

Tracey Lago ACIS is the representative of Henderson Secretarial Services Limited, the Corporate Company Secretary to the Company.

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2010.

A) BUSINESS REVIEW

The Business Review is designed to provide information primarily about the Company's business and results for the year ended 31 December 2010. The Business Review should be read in conjunction with the Chairman's Statement on pages 2 and 3 and the Investment Review on pages 4 to 6, which provide a review of the year and an outlook.

i) Status

The Company is an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 ("Section 1158") (previously Section 842 of the Income and Corporation Taxes Act 1988). It is required to seek approval from HM Revenue & Customs ("HMRC") of its status as an investment trust every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2009; this approval is subject to no subsequent enquiries under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has conducted its affairs in a manner that will enable it to continue to gain such approval. The Company is incorporated in England and Wales with registration number 159836, and domiciled in the United Kingdom. The Company is not an investment company under Section 833 of the Companies Act 2006. The Company is listed on the London Stock Exchange. It must conduct its affairs in accordance with the Listing Rules and Disclosure and Transparency Rules published by the Financial Services Authority.

ii) Investment objective and policy

The Company's investment objective was amended and approved by Shareholders on 27 September 2010. It is now to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to achieve a balance between maximising their value and returning cash to Shareholders promptly.

The Company seeks to achieve this objective by realising the value of the current portfolio which comprises mainly private equity limited partnership interests and listed vehicles. This will be done through a combination of secondary sales of limited partnership interests, the holding of other limited partnership interests to maturity and sales of listed holdings through the relevant exchanges.

The Company will not make any new investments save that:

- (a) investments may be made to honour commitments to funds under existing contractual arrangements;
- (b) further investments may be made into the Company's sole direct investment, The Logic Group Holdings Limited, in order to preserve the value of such investment; and
- (c) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds, or bank cash deposits pending its return to Shareholders in accordance with the Company's investment objective.

No more than 10 per cent. of total assets may be invested in any single cash-equivalent instrument or placed on deposit with any single institution except that this limit does not apply to investment in government bonds, which shall be unconstrained.

The use of gearing shall be limited to the use of up to £30 million of borrowed funds. Save for the payment of dividends to retain investment trust status, no return of cash shall be made to Shareholders until any such borrowings are repaid in full and the associated bank facility is cancelled.

It is recognised that this policy will involve a continuing evaluation of the portfolio in order to assess the most appropriate realisation strategy to be pursued in relation to each investment. Some investments may be considered appropriate for sale in the shorter term, while other investments may be held for a longer period with a view to enabling their inherent value to be realised successfully.

The strategy for realising individual investments will be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or in the prevailing market conditions. The Manager will, in relation to each unlisted investment, seek to create competition amongst a range of interested parties which are most likely to be other private equity specialists.

The Company will continue to comply with the restrictions imposed by the Listing Rules in force from time to time.

Information on how the Company has invested its assets in accordance with its investment policy is set out on pages 4 to 12.

Report of the Directors

continued

iii) Financial review

	31 December 2010	31 December 2009	Change
Net assets	£62.3m	£57.1m	9.1%
Net asset value per share	330.4p	302.7p	9.1%
Share price	221.5p	130.0p	70.4%
Discount	33.0%	57.1%	N/A
FTSE All-Share Index	3,062.9	2,760.8	10.9%
LPX Indirect Index (Sterling adjusted)	38.6	26.8	44.0%
LPX Europe Index (Sterling adjusted)	338.8	253.2	33.8%

● Assets

Total net assets at 31 December 2010 were £62,279,000 compared with £57,058,000 at 31 December 2009. In the year under review the net asset value per ordinary share increased by 9.1% from 302.7p to 330.4p.

● Expenses

Total expenses for the year amounted to £1,725,000 (2009: £1,438,000). In the year under review the investment management fee was £824,000 (2009: £756,000) and no performance fee was payable (2009: nil). Further details on the Company's expenses may be found in notes 3 and 4 on pages 39 and 40.

● Return on ordinary activities before taxation

The Company's return on ordinary activities before taxation was a deficit of £1,231,000 (2009: deficit of £551,000).

● Dividends

The Company has a policy of only paying dividends to the extent necessary to comply with investment trust status. Therefore, where 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.

In order to maintain investment trust status and achieve the income retention test for the year ended 31 December 2009, a dividend of 0.27 pence per share was declared on 4 March 2011 in relation to the year ended 31 December 2009, and was paid to shareholders on 7 April 2011; the ex-dividend date was 16 March 2011. The estimated cost to the Company of paying the dividend was £1,600. No further dividends were proposed for the year ended 31 December 2009 or 2010.

● Funding

The primary source of the Company's funding is shareholders' funds. Additionally, in the year under review, the Company had a bank facility of £30.0 million which, at the year end was committed until 1 May 2012. At 31 December 2010 £15.7 million (2009: £7.7 million) of these facilities had been drawn down.

● Gearing

Gearing is defined as the Company's debt less cash and cash equivalents divided by the Company's net assets expressed as a percentage. At the year end the Company's gearing was 19.8% (2009: 6.5%).

● Payment of suppliers

The Company seeks to obtain the best possible terms for all business services and, therefore, there is no payment of supplier policy. There were no trade creditors at 31 December 2010 (2009: nil).

● Future developments

The Company is undertaking a realisation of the investment portfolio with a view to returning capital to Shareholders over the next two years. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on pages 2 and 3 and the Investment Review on pages 4 to 6.

● Going Concern

The Directors believe that the Company has adequate resources to continue to operate for the foreseeable future. In forming this judgement the Directors have considered the level of the Company's assets, its available liquidity, the likelihood and the timescales over which investments may be realised and outstanding commitments may be drawn down. However, in accordance with note 1(i), due to the realisation strategy adopted by the Company in September 2010 the financial statements are not prepared on the going concern basis.

iv) 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:

Report of the Directors

continued

- 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, amounted to 2.9% (2009: 2.4%) of the net assets of the Company. No performance fee was paid during the year (2009: nil). The increase in TER is primarily due to higher professional fees payable in relation to the General Meeting requisition by Advance UK Trust, the change of Investment Objective and Policy and adoption of the Realisation Strategy. The Board regularly monitors all Company expenses to ensure they are managed effectively. In line with the new objective of the Company and the realisation of the portfolio the Board and its advisers are reducing costs wherever possible.

v) 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 transaction 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 25 funds managed by Henderson have interests in 35.8% of the issued share capital of the Company (excluding treasury shares).

vi) Management Arrangements

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, accounting and company secretarial matters, are delegated to various subsidiaries of Henderson and to BNP Paribas Securities Services.

- Investment Management Services
The management and performance fee arrangements detailed within the Investment Management Agreement dated 27 January 2010 were amended with effect from 1 October 2010.

Prior to this date the Manager received a fee 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 fee was payable by the Company in respect of any asset invested in funds managed by Henderson. The Manager was also entitled to an annual performance fee of 10% of any increase in the NAV in excess of 8% per annum.

With effect from 1 October 2010, and to reflect the revised investment objective of the Company, the Manager received a fixed monthly fee of £70,000 per month for six months, following which the monthly fee reduces to £50,000 for the following eighteen months. All fees are quoted net of VAT and are payable quarterly in arrears.

On 1 October 2011, or earlier if deemed appropriate, the fixed monthly fee shall be reviewed taking into account the Manager's workload and the status of the realisation of the portfolio at that time.

In addition to the management fee the Manager is entitled to receive a performance fee of 10% of any amounts available to be returned to Shareholders over the cash hurdle. The cash hurdle is set at an amount which incentivises the Manager to out-perform the other realisation options available to the Company plus a notional accrual reflecting the time value of money between the date of Shareholder approval of the fee and the actual returns of cash in excess of the hurdle. The total performance fee payable to the Manager is capped at £2,852,900 and the opening cash hurdle and accrual rate is £41,470,466 and 8% per annum respectively.

Report of the Directors

continued

vii) 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. The Board's focus is now, however, very much on the successful execution of the Company's newly adopted asset realisation strategy.

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

Private equity investments are long-term in nature and may take a considerable period of time 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 predominantly 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. In recognising the revised investment objective of the Company the Board regularly monitors the Company's asset allocation and the status of the realisation strategy. Realised cash from the sale of investments may be invested in liquid cash-equivalent securities, including short-dated corporate

bonds, government bonds, cash funds, or bank cash deposits pending its return to Shareholders. A detailed analysis of the portfolio may be found on pages 7 to 12. Further information on how the Company manages risk may be found in the Internal Controls section on page 25 and in note 19 on pages 47 to 54.

- **Valuation and realisation 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. The value at which investments mature or are exited will depend on a number of factors including the performance of the relevant general partner, the quality of underlying portfolios and the state of the M&A and IPO markets.

- **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 1158 of the Corporation Tax Act 2010 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.

Report of the Directors

continued

- 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 page 25.

viii) Environmental, social and community issues

The Company has no employees, with day-to-day investment management and administration of the Company being delegated to Henderson and its subsidiaries. Henderson has implemented environmental management practices, including systems to limit the use of non-renewable resources and minimise the impact of operations on the environment and is focused on reducing greenhouse gas emissions and minimising waste where possible. The Company's portfolio is managed in accordance with the investment objectives and policy; environmental, social and community matters are considered to the extent that they potentially impact on the Company's investment returns.

B) DIRECTORS AND THE BOARD

- Board Composition and Independence

The Articles of Association provide that the total number of directors shall be not less than two and no more than ten. The following Directors, whose biographies are given on page 13, and all of whom are non-executive, served throughout the year:

	Date of appointment
J D Mackie (<i>Chairman</i>)	1 January 2006
T M Connor	1 November 2004
B M Dean	19 May 2000
I J Orrock	1 January 2005

No Director has a contract of employment with the Company. Directors' terms of appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will be available at the AGM.

Following the introduction of the Combined Code the Directors continually keep their independence and contribution to the Board and the Company under review.

The Nominations Committee and the Board do not consider length of service to be a factor in determining the independence of character or judgement of a director and therefore consider all Directors, notwithstanding length of service, remain independent. The Directors have no other conflicts or links with the Manager or otherwise which would cause them to be judged as non-independent.

During the year under review the Company held insurance cover in respect of legal action against its Directors. The need for insurance is considered on an annual basis and insurance has been arranged for the 2010 and 2011 financial years.

- Directors' appointment, retirement and rotation

In accordance with the Articles of Association, the Board may appoint directors to the Board without Shareholder approval. Any Director so appointed must stand for election by Shareholders at the AGM following their appointment.

Every Director shall retire at least every three years in compliance with the Articles of Association and the Combined Code. Retiring Directors, if they so wish, may, with the support of the Board, stand for re-election by Shareholders at the AGM at which they retire.

- Directors' Remuneration

The Board consists of non-executive Directors and accordingly the Company is not required to comply with the principles of the Combined Code in respect of executive Directors' remuneration and does not have a Remuneration Committee. Details of the fees paid to the Directors can be found in the Directors' Remuneration Report on pages 28 and 29.

- Directors' Interests in Shares

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the following table.

Ordinary shares of 5p	31 December 2010	31 December 2009
<i>Beneficial:</i>		
J D Mackie	24,500	24,500
T M Connor	2,000	2,000
B M Dean	4,000	4,000
I J Orrock	5,217	5,217

There have been no changes in the Directors' interests in the period from 31 December 2010 to the date of this report.

Report of the Directors

continued

● Directors' Conflicts of Interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. The Company's Articles of Association were updated at the AGM held in 2010 to reflect the enhanced provisions of the Companies Act 2006 in relation to the authorisation of directors' conflicts of interest. There are two safe harbours – either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the Directors.

Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. Going forward, the Directors have also all undertaken to notify the Chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which will be reviewed annually by the Board.

It has also been agreed that the Directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment and new Directors will be asked to submit a list of potential circumstances falling within the conflicts of interest provisions of the 2006 Act in advance of joining the Board. The Chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only Directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, Directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the Directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts have operated effectively since they were introduced by the 2006 Act on 1 October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the Directors.

● Directors' Professional Development

When a director is appointed they are offered a tailored introductory programme organised by the Manager. Directors are provided, on a regular basis, with key information on the

Company's policies, regulatory and statutory requirements. Changes affecting Directors' responsibilities are advised to the Board as they arise.

The Board

● Responsibilities of the Board

The Board is responsible for the effective stewardship of the Company's affairs. It determines the strategic direction of the Company and sets the boundaries within which the Portfolio Manager operates. The Board meets at least four times a year and reviews the Company's investment policy, performance and financial position. The Portfolio Manager takes decisions as to the purchase and sale of individual investments and is responsible for effecting those decisions on the best available terms. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for Directors, in furtherance of their duties, to take independent professional advice at the Company's expense.

The Chairman is responsible for leading the Board and ensuring that it continues to deal effectively with all aspects of its role. In particular he ensures that the Manager provides the Directors, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant. Representatives of the Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further matters of concern.

The Company does not have any executive directors or employees and as a consequence does not have a Remuneration Committee. Directors' remuneration is considered by the Board as a whole. The Directors' Remuneration Report, which may be found on pages 28 and 29, provides detailed information of the remuneration arrangements of the Directors.

● Audit Committee

The Board has established an Audit Committee which is chaired by Terry Connor and due to the small size of the Board currently consists of the other Directors. All of the members of the Audit Committee served throughout the year and are considered by the Board to be independent of the Manager.

The Audit Committee, which met three times during the year, operates within clearly defined terms of reference. The Audit Committee provides a forum through which the Company's external Auditors report to the Board. The main work and responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and

Report of the Directors

continued

appropriateness of its accounting policies. It also reviews the internal control systems and the risks to which the Company is exposed. The Audit Committee makes recommendations to the Board regarding the appointment and independence of the external auditors, KPMG Audit Plc, and the objectivity and effectiveness of the audit process. Details of the amounts paid to the external auditors during the year under review, for audit and other services are set out in note 4 on page 40. In addition to auditing the annual financial report, KPMG Audit Plc may be engaged by the Board to review the half-year end financial statements and to provide tax services. A review of the half-year financial statements was not required, however, tax services were provided. Having reviewed the services and level of input by KPMG Audit Plc, and the reporting required of them, the Board are satisfied that KPMG Audit Plc remain independent.

- Nominations Committee and Management Engagement Committee

Both the Nominations Committee and the Management Engagement Committee are chaired by John Mackie and comprise all the Directors. Each Committee operates within clearly defined terms of reference.

The Nominations Committee met twice during the year. It is responsible for considering the independence of the Directors, evaluating the performance of the Directors, considering and making recommendations in respect to succession planning and the appointment of new Directors. Each Director is excluded from the discussions regarding their own performance, and discussions relating to the performance and evaluation of the Chairman are led by the Senior Independent Director, Terry Connor.

The Management Engagement Committee met once during the year. It is responsible for evaluating the services and conduct of the Manager and where appropriate the associated fees for such services. The Management Engagement Committee would lead the process should the Board wish to consider alternative management service providers at any time.

- Board Attendance

Attendance at the Board and Committee meetings held during the financial year are shown below:

	Regular and Additional Board Meetings	Strategy Meeting	Audit Committee	Management Engagement Committee	Nominations Committee
No. of Meetings	11	1	3	1	2
J D Mackie	11	1	3	1	2
T M Connor	11	1	3	1	2
B M Dean	9	1	3	1	2
I J Orrock	10	1	3	1	2

Performance Evaluation

- The Company

The performance of the Company is considered in detail at each Board meeting.

- The Board

The Board as a whole evaluates its own performance and the performance of the Chairman is considered by the Directors without the participation of the Chairman. In line with the realisation strategy of the Company and the aim to reduce costs wherever possible the Board has agreed that the composition and requirement for all Directors to remain in office will be considered on a regular basis. The Nominations Committee met in December 2010 and discussed the performance and composition of the Board. The Committee concluded that each Director continued to provide skills, experience and expertise to the Company which were proving invaluable during the early stage of the realisation strategy, and that each should continue in office for the immediate future.

C) CORPORATE GOVERNANCE STATEMENT

- Background

The Board is accountable to the Shareholders for the governance of the Company's affairs. Paragraph 9.8.6 of the UK Listing Authority's Listing Rules requires all listed companies to disclose how they have applied the principles and complied with the provisions of the 2008 Combined Code on Corporate Governance (the "Combined Code"), as issued by the Financial Reporting Council (the "FRC"). As an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are all non-executive. Thus, not all of the provisions of the Combined Code are directly applicable to the Company. The Combined Code can be viewed at www.frc.co.uk.

Report of the Directors

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The related Code of Corporate Governance (the "AIC Code"), issued by the Association of Investment Companies (the "AIC") in March 2009, provides specific corporate governance guidelines to investment companies. The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies will be meeting their obligations in relation to the Combined Code and the associated disclosure requirements of the Disclosure Rules. The AIC Code can be viewed at www.theaic.co.uk. The Company was a member of the AIC for the year ended 31 December 2010.

In June 2010 the FRC published the revised UK Corporate Governance Code which applies to accounting periods beginning on or after 29 April 2010. The AIC published the revised AIC Code of Corporate Governance in October 2010 which was subsequently endorsed by the FRC. The Company will report against the new UK Corporate Governance Code in the Annual Report for the year ended 31 December 2011.

● Compliance

Throughout the year ended 31 December 2010 the Company complied with the provisions of the AIC Code. The Board attaches importance to the matters set out in the Code and seeks to observe its principles. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), provides the most relevant information to Shareholders.

● The Principles of the AIC Code

The AIC Code is made up of twenty-one principles. Its three sections cover: the Board; Board Meetings and relations with the Manager; and Shareholder Communications.

<i>Principles of the 2009 AIC Code</i>	<i>Application of the principles</i>
The Board	
1. The chairman should be independent.	John Mackie has been Chairman of the Company since August 2006; he joined the Board in January 2006. The Board considers that John Mackie is, and has been since his appointment, an independent non-executive Director. The Board believes independence stems from the ability to make those objective decisions that may be in conflict with the interests of management; this in turn is a function of confidence, integrity and judgement. The other independent non-executive Directors, under the chairmanship of the Senior Independent Director, review and evaluate annually the performance and continuing independence of the Chairman.
2. A majority of the board should be independent of the manager.	At 31 December 2009 the Board was composed of four independent non-executive directors. None of the Directors are connected with the Company's Manager. In the opinion of the Board, each Director is independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement. The Board is firmly of the view that length of service does not of itself impair a Director's ability to act independently; rather, a Director's longer perspective adds value to the deliberations of a well-balanced investment trust company board. In this regard Barry Dean is also considered to be independent following service in excess of nine years.

Report of the Directors

continued

<i>Principles of the 2009 AIC Code</i>	<i>Application of the principles</i>
The Board	
<p>3. Directors should be elected for a fixed term of no more than three years. Nomination for re-election should not be assumed but be based on disclosed procedures.</p>	<p>New Directors stand for election by the Shareholders at the AGM of the Company that follows their appointment. Thereafter, all Directors stand for re-election at least every three years. Directors who have served for more than nine years stand for re-election annually. There is currently one Director with service of more than nine years, being Barry Dean.</p> <p>Every year the Board reviews its own composition and the composition of its Committees. The evaluation process is led by the Chairman; the Senior Independent Director leads the evaluation of the Chairman. The Board's Nominations Committee oversees this process. The Board seeks to maintain a good balance of skills and experience appropriate to the Company's objectives and operations.</p>
<p>4. The board should have a policy on tenure, which is disclosed in the annual report.</p>	<p>New Directors are appointed for an initial term ending three years from the date of their first AGM after appointment and with the expectation that they will serve two three-year terms. The continuation of Directors' appointments is contingent on satisfactory performance evaluation and re-election at AGMs. Directors' appointments are reviewed formally every three years by the Board as a whole. None of the Directors has a contract of service and a Director may resign by notice in writing to the Board at any time; there are no set notice periods.</p>
<p>5. There should be full disclosure of information about the board.</p>	<p>Details of the Directors are set out on page 13. They demonstrate a broad range of professional and commercial expertise and experience.</p>
<p>6. The board should aim to have a balance of skills, experience, ages and length of service.</p>	<p>As detailed in 2. and 3. above, the Board considers that it has achieved this aim.</p>
<p>7. The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</p>	<p>The Board has an established process to evaluate its performance on an annual basis. This process is based on open discussion and seeks to assess the strengths and weaknesses of the Board and its Committees. The Chairman leads on applying the conclusions of the evaluation. The Chairman reviews with each Director his individual performance, contribution and commitment to the Company. The Senior Independent Director leads the annual evaluation of the Chairman and reviews the conclusions with him. The Nominations Committee oversees this process.</p>
<p>8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.</p>	<p>The Directors' Remuneration Report on pages 28 and 29 details the process for determining the Directors' remuneration and sets out the amounts payable.</p>

Report of the Directors

continued

<i>Principles of the 2009 AIC Code</i>	<i>Application of the principles</i>
The Board continued	
9. The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	When considered necessary, the Nominations Committee oversees the recruitment process. However, all the independent non-executive Directors are asked to contribute.
10. Directors should be offered relevant training and induction.	<p>Directors newly appointed to the Board are provided with an introductory programme covering the Company's strategy, policies and operations, including those outsourced to third parties. Thereafter, Directors are given, on a regular and ongoing basis, key information on the Company's investment portfolios and financial position and details of the Company's regulatory and statutory obligations (and changes thereto). The Directors have access to the advice and services of the Company Secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.</p> <p>The Directors are encouraged to attend seminars, conferences and courses, if necessary at the Company's expense, and to participate generally in industry events.</p>
11. The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	In the absence of any conflicts, all Board members participate in discussions on restructuring and strategy as and when they arise or are required.
12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets at least quarterly each year. The Portfolio Manager and Company Secretary are present at all meetings. The Chairman seeks to encourage open debate within the Board and a challenging, supportive and co-operative relationship with the Company's Manager, advisors and support staff.
13. The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Manager monitors investment performance and all associated matters. Reports are provided to each Board meeting, at which investment performance, asset allocation, gearing, marketing and investor relations are usually key agenda items.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for determining the strategic direction of the Company and for promoting its success. The Board devotes at least one day each year to a strategy meeting with the Company's Manager and advisors as required.

Report of the Directors

continued

<i>Principles of the 2009 AIC Code</i>	<i>Application of the principles</i>
Board meetings and the relationship with the Manager	
15. The board should regularly review both the performance of, and contractual arrangements with, the manager (or executives of a self-managed company).	The Board reviews the performance and the contractual arrangements with the Manager and other suppliers on at least an annual basis.
16. The board should agree policies with the manager covering key operational issues.	The Portfolio Manager operates within the terms of the Investment Management Agreement and in accordance with the Investment Limits and Restrictions as stipulated by the Board from time to time.
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The discount is monitored on a continual basis and in particular is discussed at every Board meeting with a view to taking action where appropriate.
18. The board should monitor and evaluate other service providers.	The Board monitors the service provided by suppliers on a regular and at least an annual basis. The Manager assists the Board where appropriate in reviewing contractual arrangements with other suppliers and provides advice on best practice and alternative providers where necessary.
Shareholder communications	
19. The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	The Chairman is responsible for ensuring that there is effective communication with the Company's Shareholders. The major movements on the shareholder register are reviewed at every Board meeting and shareholder communications and meetings are managed within the marketing and communications programme contracted by the Company with the Manager. The Company encourages attendance at the AGM as a forum for Shareholders to communicate directly with the Board.
20. The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesman.	While the Manager and his team expect to lead on preparing and effecting communications with investors, all major corporate issues are put to the Board or a Committee of the Board.
21. The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.	The Board places importance on effective communication with investors and approves a marketing programme and budget each year to enable this to be achieved. Copies of the Annual Report and the Half-Year Report are circulated to shareholders. In addition, the Company publishes a fact sheet and net asset value per share monthly. All this information is readily accessible on the Manager's website. The Company was a member of the Association of Investment Companies which publishes information to increase investors' understanding.

Report of the Directors

continued

D) INTERNAL CONTROLS

The Board has overall responsibility for the Company's systems of internal control and for reviewing their effectiveness. These controls aim to ensure that the assets of the Company are safe-guarded, proper accounting records are maintained and the financial information used within the business and for publication are reliable. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed. They are designed to manage rather than eliminate the risk of failure to achieve business objectives and, by their very nature, provide reasonable but not absolute assurance against material misstatement or loss. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Company by a series of regular investment performance statements, financial and risk analyses and Manager's reports in addition to a quarterly control report. All such reporting processes and documents are included within an overriding Risk Profile and Register of the Company which identifies key risks and the controls in place to mitigate such.

The Manager and the Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Manager on compliance matters including adherence to the Company's investment guidelines. The Management Engagement Committee reviews the performance of the Company's third party service providers on at least an annual basis. The Audit Committee undertakes a formal risk and control assessment at least once a year. The Company seeks to meet the requirements of investment trust status each year.

The Board has reviewed the need for an internal audit function. The Company's day-to-day management is delegated to third parties and it is not considered that an internal audit function specific to the Company is necessary. In common with many investment trusts, the Company does not have a whistle-blowing policy as it believes that it is appropriate to rely on the whistle-blowing policies operated by those third parties.

● Accountability

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 30, the report of the independent auditors is set out on page 31 and the statement of going concern is on page 15.

● Relationship with external providers

The Board has delegated contractually to external providers, including the Manager, the management of the investment portfolio, the custodial service (which includes the safeguarding of assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered. The Board receives regular reports from the Manager and *ad hoc* reports and information are supplied to the Board as required.

● Continued Appointment of the Manager

The Board monitors the performance of the Manager at each Board meeting. While recognising the continuing difficulties in the economy as a whole and particularly in the private equity sector, in the opinion of the Directors the management of the Company by Henderson Global Investors Limited is in the best interests of Shareholders as a whole.

E) SHARE CAPITAL AND SHAREHOLDERS

● Share capital

The Company's share capital comprises 18,850,212 ordinary shares of 5p each (2009: 18,850,212), all of which are fully paid. In addition 832,000 ordinary shares (2009: 832,000) are held in treasury. The Company did not issue or repurchase any shares during the year ended 31 December 2010.

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regard to control of the Company.

The voting rights of the ordinary shares on a poll are one vote for every share held. Accordingly there were 18,850,212 voting rights throughout the year.

● Substantial share interests

At 21 April 2011 the Company is aware of the following interests which represent 3% or more of the voting rights of the Company.

	% of issued share capital
Henderson Global Investors Limited	35.8%
East Riding Pension Fund	6.5%
Oxfordshire County Council Pension Fund	6.4%
Brompton Asset Management Limited	5.9%
Weiss Asset Management LP	4.8%

Report of the Directors

continued

- Relations with Shareholders

The Board and Manager are available for dialogue with Shareholders. During the year, the Manager maintained a dialogue with the Company's major institutional Shareholders, brokers and analysts. Discussions with Shareholders are reported on at Board meetings.

The Annual Report, which contains a detailed review of performance and the investment portfolio, is sent to Shareholders at least 20 business days prior to the AGM. At the half year stage, a Half-Year Report, containing updated information in a more abbreviated form, is also sent to Shareholders. The Company aims to keep Shareholders up to date with its activities and results. This includes a monthly fact sheet which may be found on the Manager's website.

All Shareholders have the opportunity to attend and vote at the AGM. At the AGM a presentation is made by the Manager and Shareholders have the opportunity to address questions to the Chairman, the other Board members and the Manager.

- Exercise of voting powers

The Board has delegated discretion to the Manager to exercise voting powers on its behalf in relation to the Company's investments. The Portfolio Manager will seek guidance from the Board on matters of a contentious nature. The Board believe this policy accords with current best practice whilst maintaining a primary focus on financial returns.

F) INDEPENDENT AUDITORS

KPMG Audit Plc has indicated their willingness to continue in office. Accordingly, resolutions to re-appoint KPMG Audit Plc as auditors to the Company, and to authorise the Directors to determine their remuneration, will be proposed at the AGM.

G) ANNUAL GENERAL MEETING

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your voting rights in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Thursday, 16 June 2011 at 3.30 pm. The Notice of Meeting is set out on pages 56 and 57.

- Authority to Allot Shares and Disapply Pre-emption Rights

On 17 June 2010 the Directors were granted authority to allot a limited number of authorised but unissued ordinary shares. This authority will expire at the forthcoming AGM in June 2011. Authority was also given to the Directors to allot securities of a limited value for cash without first offering them to existing Shareholders in accordance with statutory pre-emption procedures. This too will expire at the AGM in June 2011.

Appropriate resolutions to renew both authorities will be proposed at the 2011 AGM and are set out in full in the Notice of Annual General Meeting. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £47,125 (being 5% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non-pre-emptive basis up to a maximum aggregate nominal amount of £47,125 (being 5% of the Company's issued share capital as at the date of the Notice of the AGM).

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share, the NAV being calculated with debt at fair value.

If renewed, both of these authorities will expire at the conclusion of the AGM in 2012.

- Authority to Make Market Purchases of the Company's Own Shares

At the AGM held on 17 June 2010, the Company was authorised and sanctioned to make market purchases of up to 2,825,646 of the Company's own issued ordinary shares. The Company has not used the powers to purchase shares of the Company.

The Board is seeking Shareholder approval to renew the authority to purchase on the London Stock Exchange up to a maximum of 14.99% of the Company's ordinary shares in issue at the date of the AGM (equivalent to 2,825,646 ordinary shares of 5p each at the date of the Notice of the AGM).

Report of the Directors

continued

The Directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of Shareholders generally. The authority being sought provides an additional source of potential demand for the Company's shares. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to Shareholders.

- **Notice of General Meetings**

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless Shareholders approve a shorter notice period, which cannot however be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such Shareholder approval. In order to preserve this ability, Resolution 11 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all Shareholders for that meeting.

Recommendation and Voting Intentions

The Board considers that the resolutions relating to the above items of special business are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends to Shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this Report are listed on page 13. Each of those Directors confirm that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of the Annual Report and Financial Statements of which the Company's auditors are unaware; and
- he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Tracey Lago ACIS

For and on behalf of Henderson Secretarial Services Limited
Corporate Company Secretary

27 April 2011

Directors' Remuneration Report

This report is submitted in accordance with sections 420-422 of the Companies Act 2006. This report meets the relevant provisions of the Listing Rules issued by the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM. The Company's auditors are required to report on certain information contained within this report. Where information set out below has been audited, it is indicated as such. The Auditors opinion is included within the Independent Auditors' Report on page 31.

The Board

The Board comprises non-executive Directors and the Board as a whole considers Directors' remuneration. Accordingly, the Board has not appointed a separate Remuneration Committee. The Board has not relied upon the advice or services of any third party in reaching its decision on remuneration. The Board does, however, carry out reviews from time to time of the fees paid to directors of other investment trusts.

At 31 December 2010, the Board comprised four non-executive Directors. Each Director has a letter of appointment setting out the terms of his engagement as a non-executive Director. No Director has a service contract with the Company. A Director may resign by notice in writing at any time; there are no fixed notice periods, nor any entitlement to compensation for loss of office.

Policy on Directors' Remuneration

The Company's policy is for the Directors to be remunerated by fees, payable quarterly in arrears. Fees payable to the Directors reflect the time spent on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Part of this policy is that the Chairman and Senior Independent Director are paid a higher fee than their fellow Directors to reflect their more onerous roles.

The Company's policy is that no Director shall be entitled to any benefits in kind, share options, long term incentives, pensions or other retirement benefits or compensation for loss of office. It is considered that no part of the Directors' remuneration should be performance related in the light of their non-executive status. Directors are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company.

The Articles of Association provide that the aggregate fees payable to the Board of Directors should not exceed £125,000 per annum and the Company's policy on Directors' remuneration operates within this restriction. During the year under review, Directors fees were paid at the following rates: the Chairman £25,000, the Senior Independent Director £21,000 and the other Directors £18,000 each.

The Company's Articles of Association allow Directors to receive additional payments above and beyond their fixed fee level if it is considered by the Board to be appropriate, taking into consideration extra time spent on the Company's affairs. No such additional fees were paid to the Directors during 2010.

Directors' Fees (Audited)

The information in this section has been subject to audit.

The fees (excluding national insurance and VAT) paid in respect of each of the Directors who served during the year ended 31 December 2010 and the year ended 31 December 2009 were as follows:

	31 December 2010	31 December 2009
J D Mackie	£25,000	£25,000
T M Connor	£21,000	£21,000
B M Dean	£18,000	£18,000
I J Orrock*	£18,000	£18,000
Total	£82,000	£82,000

*Fees are paid to Silchester Limited and are subject to VAT (not included above).

Directors' Remuneration Report

continued

Performance graph over a five year period

The performance graph below tracks the share price total return over the last five years in respect of the Company. The share price total return is plotted against the LPX Indirect Index (total return, sterling adjusted). The data has been rebased to 100 on 31 December 2005.



31 December 2005 to 31 December 2010 (rebased to 100 at 31 December 2005).
Source: Morningstar

For and on behalf of the Board of Directors

John Mackie CBE

Chairman

27 April 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, see note 1(i) on page 36.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility

for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 in this Annual Report 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.

For and on behalf of the Board of Directors

John Mackie CBE
Chairman

27 April 2011

Independent Auditor's Report

to the members of Henderson Private Equity Investment Trust plc

We have audited the financial statements of Henderson Private Equity Investment Trust plc for the year ended 31 December 2010 set out on pages 32 to 55. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reason set out in note 1(i) on page 36.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 15, in relation to going concern; and
- the part of the Corporate Governance Statement on page 21 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

Gareth Horner (Senior Statutory Auditor)

for and on behalf of **KPMG Audit Plc, Statutory Auditor**

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

27 April 2011

Income Statement

for the year ended 31 December 2010

Notes	Year ended 31 December 2010			Year ended 31 December 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
	Gains/(losses) on investments held at fair value through profit or loss					
9(c)	-	6,204	6,204	-	(4,167)	(4,167)
	Gains on foreign exchange					
	-	66	66	-	90	90
2	942	-	942	932	-	932
3	(824)	-	(824)	(756)	-	(756)
4	(901)	-	(901)	(682)	-	(682)
	Return on ordinary activities before finance costs and taxation					
	(783)	6,270	5,487	(506)	(4,077)	(4,583)
5	(448)	-	(448)	(45)	-	(45)
	Return on ordinary activities before taxation					
	(1,231)	6,270	5,039	(551)	(4,077)	(4,628)
6	182	-	182	668	-	668
	Return on ordinary activities after finance costs and taxation					
	(1,049)	6,270	5,221	117	(4,077)	(3,960)
8	(5.6p)	33.3p	27.7p	0.6p	(21.6p)	(21.0p)
	Number of Ordinary Shares in issue at year end					
			18,850,212			18,850,212
	Average number of Ordinary Shares in issue during the year					
			18,850,212			18,850,212

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.

Reconciliation of Movement in Shareholders' Funds

for the year ended 31 December 2010

Year ended 31 December 2010	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve* £'000	Shareholders' funds £'000
Balance at 1 January 2010	984	17,321	705	36,500	1,548	57,058
Net return from ordinary activities (note 8)	–	–	–	6,270	(1,049)	5,221
Rebate of commission on share buybacks	–	–	–	–	–	–
Balance at 31 December 2010	984	17,321	705	42,770	499	62,279

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
Balance at 1 January 2009	984	17,321	705	40,573	1,431	61,014
Net return from ordinary activities (note 8)	–	–	–	(4,077)	117	(3,960)
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 31 December 2010

Notes	2010 £'000	2009 £'000
Fixed assets		
9	78,357	61,639
Current assets		
11	39	428
11, 18	137	4,610
	176	5,038
Current liabilities		
12	(603)	(9,619)
	(427)	(4,581)
	77,930	57,058
Creditors: amounts falling due after more than one year		
13	(15,651)	-
	62,279	57,058
Capital and reserves		
14	984	984
15	17,321	17,321
15	705	705
15	42,770	36,500
15	499	1,548
	62,279	57,058
16	330.4p	302.7p

Approved and authorised for issue by the Board of Directors on 27 April 2011 and signed on its behalf by:

John Mackie CBE
Chairman

Cash Flow Statement

for the year ended 31 December 2010

Notes	2010 £'000	2009 £'000
17	Net cash outflow from operating activities	(534)
	Servicing of Finance	
	Bank interest paid	(47)
	Taxation	
	Tax refunded/(paid)	(1)
	Financial Investment	
	Purchase of listed fixed asset investments	(13)
	Purchase of unlisted fixed asset investments	(11,116)
	Sale of listed fixed asset investments	3,499
	Sale of unlisted fixed asset investments	2,903
	Net cash outflow from financial investment	(4,727)
	Net cash outflow before financing	(5,309)
	Financing	
	Purchase of Ordinary Shares	4
	Bank loan drawdown	7,728
	(Decrease)/increase in cash	2,423
	Net funds at start of the year	968
	Gains on foreign exchange	90
18	Net funds at end of the year	3,481

Statement of Accounting Policies

at 31 December 2010

1 Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 31 December 2010, are unchanged from 2009 and are set out below.

(i) Basis of preparation

The financial statements have not been prepared on a going concern basis as the Company is seeking to realise the investment portfolio, return the capital to Shareholders and then terminate the Company, as outlined in the asset realisation strategy agreed by Shareholders on 27 September 2010. The current expectation is that the process is likely to be materially complete by September 2012. Instead the financial statements have been prepared on a break up basis.

A review of the investment portfolio has been undertaken to identify those unlisted investments that will be held until the underlying fund investment reaches its contractual end and those that are likely to be exited early. The former have been valued as detailed in note 1(v) below, largely based on the audited and unaudited valuations provided by the investee funds. The valuations of the latter have been based on the audited and unaudited valuations provided by the investee funds less any discount that the Portfolio Manager believes will arise on exiting the fund early. That discount amounted to £1.7 million.

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 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.

(ii) Presentation of Income Statement

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. Supplementary information which analyses the Income Statement between items of a capital and revenue nature is presented alongside the Income Statement, which the Directors consider better demonstrates revenue profits available for distribution by dividend.

(iii) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is taken to capital. UK dividends are accounted for net of any tax credits. Interest on quoted fixed interest stocks and deposit interest is accounted for on an accruals basis.

(iv) Expenses and interest payable

The investment management fee is calculated on the basis set out in note 3 and charged in full to revenue. The performance fee is calculated on the basis set out in note 3 and charged in full to capital. Transaction costs incurred in the acquisition or disposal of investments are expensed and included in the costs of acquisition or deducted from the proceeds of sale as appropriate.

Other expenses and interest payable are accounted for on an accruals basis and are charged in full to revenue.

The allocation between capital and revenue is in accordance with the Board's expected long-term split of returns in the form of capital and income profits respectively.

(v) Investments

Investments are recognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. On initial recognition all non-current asset investments are designated as held at fair value through profit or loss as defined by FRS 26 'Financial Instruments: measurement'.

Statement of Accounting Policies

continued

1 Accounting Policies continued

(v) Investments continued

All investments (including those over which the Company has significant influence) are measured at fair value with gains and losses arising from changes in their fair value being included in net profit or loss for the year as a capital item.

The fair value for listed investments is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

In respect of unlisted investments that the Company intends to hold until the investment matures, fair value is established by the underlying fund managers by using various valuation techniques, in accordance with the International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines. These may include using recent arm's length market transactions between knowledgeable, willing parties, if available and reference to the current fair value of another instrument that is substantially the same. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. The Board of the Company review and challenge these valuations where necessary.

Where the Company intends to sell an investment before the investment matures, the fair value is established as described above and an adjustment is made to reflect the amount that the Portfolio Manager expects to receive on early exit. Such adjustment is based on market data available in relation to relevant secondary market transactions in the previous six months flexed according to the Portfolio Manager's assessment of a number of items such as, inter alia, the secondary market's perception of the quality of the relevant general partner, the performance of the fund's underlying portfolio and the level of unsolicited interest received from prospective buyers.

Any gains and losses realised on disposal are recognised in the capital column of the income statement and are not distributable by way of dividend.

As permitted under FRS 9 'Associated and Joint Ventures', those investments where the Company has significant influence or joint control are accounted for at fair value through profit or loss and not regarded as associated undertakings or joint ventures.

The Company's direct investments in portfolio companies and indirect investments through its participation in limited partnerships are combined for disclosure purposes.

Under an amendment to FRS 29 'Financial Instruments: Disclosures' investments are categorised into the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data.

In accordance with the realisation strategy investments are de-recognised on the transfer date as documented by the respective sale and purchase agreements.

(vi) Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Statement of Accounting Policies

continued

1 Accounting Policies continued

(vi) Taxation continued

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to capital on the marginal basis. On this basis, if taxable income is capable of being offset entirely by the revenue expenses, then no tax relief is transferred to capital.

(vii) Dividends payable

Dividends payable to equity Shareholders are recognised in the Reconciliation of Movements in Shareholders' Funds when (if appropriate) they have been approved by shareholders and become a liability of the Company.

(viii) Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument, and de-recognised at the exit or sale date.

Other receivables and payables are stated at nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss.

Cash comprises current accounts and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(ix) Foreign exchange

The Company is a UK listed company with a predominately UK shareholder base and therefore the results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company.

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(x) Called-up share capital

Represents the nominal value of authorised and allocated, called-up and fully paid shares issued.

(xi) Capital redemption reserve

Represents the transfer of the nominal value of shares cancelled following the redemption or purchase and cancellation of own shares.

(xii) Share premium

Represents the amount by which the fair value of the consideration received exceeds the nominal value of the shares issued.

(xiii) Capital reserve

The following are accounted for in the capital reserve:

- gains and losses on the realisation of investments;
- investment holding gains and losses held at the year end;
- realised exchange differences of a capital nature;
- unrealised exchange differences of a capital nature;
- the cost of repurchasing ordinary shares, including stamp duty and transaction costs; and
- other capital charges and credits charged to this account in accordance with the above policies.

Notes to the Financial Statements

2	Income	2010 £'000	2009 £'000
	Income from fixed asset investments		
	Franked income:		
	Dividends from listed UK investments	41	60
	Dividends from unlisted UK investments	–	4
		41	64
	Unfranked income:		
	Dividends from listed overseas investments	34	101
	Distributions from UK unlisted investments	798	695
	Listed UK loan stock investments	62	62
	Listed overseas treasury gilts	–	5
		894	863
	Total income from fixed asset investments	935	927
	Other income		
	Deposit interest	7	5
		7	5
		942	932
	Income from fixed asset investments:		
	Listed	137	228
	Unlisted	798	699
		935	927
3	Investment Management Fee	2010 £'000	2009 £'000
	Investment management fee – charged to revenue	824	756
		824	756

Up to 30 September 2010 the Investment Management Agreement provided for a management fee of 1.25% per annum of the Company's assets (at valuation) invested in limited partnerships and direct equity private equity interests and 0.75% per annum on the remainder of the Company's assets.

In addition, the Company's Manager was entitled to an annual performance fee of 10% of any return in excess of an 8% hurdle per annum. As the performance fee was expected to be driven by capital appreciation, the Directors determined that it should be charged to the capital account.

Since 1 October 2010, the management fee has been fixed at a monthly fee of £70,000 (net of VAT) per month for six months reducing to £50,000 (net of VAT) per month for the following eighteen months.

Notes to the Financial Statements

continued

3 Investment Management Fee continued

From 1 October 2010, the hurdle for the achievement of any performance fee would be a cash amount which must be returned to shareholders before a performance fee can be earned. The opening cash hurdle is £41,470,466, increasing at 8% (compound) per annum.

No performance fee was payable for the year to 31 December 2010 (2009: £nil).

Further details of the terms of the Investment Management Agreement are provided in the Directors' Report.

4 Administrative Expenses

	2010 £'000	2009 £'000
Directors' emoluments	85	80
Auditors' remuneration for audit services	32	43
Auditors' remuneration for non-audit services – taxation	61	48
Professional fees*	260	47
Bank charges and non-utilisation fees	300	326
Other expenses*	163	138
	901	682

All expenses (including Directors' emoluments) are stated gross of VAT where applicable.

*Includes fees incurred in relation to the General Meeting requisition by Advance UK Trust in January 2010 and the change of Investment Objective and Policy and adoption of the Realisation Strategy.

5 Interest Payable

	2010 £'000	2009 £'000
Interest on bank borrowings	448	45
	448	45

6 Taxation

a) Analysis of tax charge for the year:

	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000
UK corporation tax at 28% (2009: 28%)	–	–	–	(14)	–	(14)
WHT on foreign dividend income	1	–	1	–	–	–
Adjustment in respect of prior years	(183)	–	(183)	(654)	–	(654)
Total tax for the year (note 6b)	(182)	–	(182)	(668)	–	(668)

Notes to the Financial Statements

continued

6 Taxation continued

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% (2009: 28%). The differences are explained below:

Return on ordinary activities

before taxation	(1,231)	6,270	5,039	(551)	(4,077)	(4,628)
Tax thereon at 28% (2009: 28%)	(345)	1,756	1,411	(154)	(1,142)	(1,296)
Tax on undistributed income of limited partnerships	888	–	888	334	–	334
Non taxable UK dividend income	(233)	–	(233)	(175)	–	(175)
Non taxable foreign dividend income	(10)	–	(10)	(19)	–	(19)
Non taxable capital (gains)/losses	–	(1,756)	(1,756)	–	1,142	1,142
Utilisation of excess management expenses	(299)	–	(299)	–	–	–
Prior year adjustment	(183)	–	(183)	(654)	–	(654)
Current tax charge	(182)	–	(182)	(668)	–	(668)

7 Dividends on Ordinary Shares

No dividend is proposed in respect of the year ended 31 December 2010 (2009: nil). A dividend of approximately £50,000 (0.27p per share) has subsequently been declared in respect of the 2009 year end in order to comply with Section 1158 (formerly Section 842) of the Corporation Tax Act 2010, such dividend will be recognised in the financial statements for the year ending 31 December 2011.

8 Return per Ordinary Share	2010	2010	2010	2009	2009	2009
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Attributable to Ordinary Shareholders	(1,049)	6,270	5,221	117	(4,077)	(3,960)
Return per Ordinary Share	(5.6p)	33.3p	27.7p	0.6p	(21.6p)	(21.0p)

The return per Ordinary Share is based on the weighted average of 18,850,212 Ordinary Shares in issue (2009: 18,850,212).

Notes to the Financial Statements

continued

9 Investments held at fair value through profit or loss	2010 £'000	2009 £'000
(a) Analysis of investments		
Split between listed and unlisted:		
Listed at market valuation	4,685	5,462
Unlisted at Directors' valuation	73,672	56,177
Valuation of investments at 31 December	78,357	61,639

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Classification under fair value hierarchy:				
Equity investments	3,974	3,974	–	–
Investments in Limited Partnerships	71,172	–	–	71,172
Fixed interest investments	3,211	711	–	2,500
Warrants	–	–	–	–
	78,357	4,685	–	73,672

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies note 1(i) on page 36.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below in note 9(d).

	2010 £'000	2009 £'000
(b) Movements on investments		
Opening valuation	61,639	61,079
Opening fair value adjustment	5,220	(3,576)
Opening book cost	66,859	57,503
Acquisitions at cost	15,372	11,129
Disposals at cost	(4,476)	(1,773)
Closing book cost	77,755	66,859
Closing fair value adjustment	602	(5,220)
Closing valuation	78,357	61,639

Notes to the Financial Statements

continued

9 Investments held at fair value through profit or loss continued

	2010 £'000	2009 £'000
(c) Realised gains/(losses)		
Realised gains/(losses):		
Listed investments based on book cost	84	(599)
Unlisted investments based on book cost	298	5,228
	382	4,629
Less fair value adjustments recognised in earlier years	615	(3,893)
Gains based on carrying value at previous balance sheet date	997	736
Investment holding gains/(losses):		
Listed investments	754	552
Unlisted investments	4,453	(5,455)
	5,207	(4,903)
Gains/(losses) on investments held at fair value	6,204	(4,167)

The direct transaction costs associated with the purchase of listed investments during 2010 were £nil (2009: £nil) and for unlisted investments £nil (2009: £nil).

The direct transaction costs associated with the realisation of listed investments during 2010 were £2,000 (2009: £1,000) and for unlisted investments £nil (2009: £nil).

	Total £'000	Investments in Limited Partnerships £'000	Fixed Interest £'000
(d) Level 3 investments at fair value through profit or loss			
Opening balance	56,177	53,677	2,500
Acquisitions	15,372	15,372	–
Disposal proceeds	(3,389)	(3,389)	–
Transfers out of Level 3	–	–	–
Total gains included in the Income Statement:			
– on assets sold	1,059	1,059	–
– on assets held at the year end	4,453	4,453	–
Closing balance	73,672	71,172	2,500

The Logic Group Holdings Limited (“Logic”) is the Company’s only direct Level 3 investment in which it holds senior loan notes with an original principal value of £2.5 million and 30.6% of the ordinary shares (fully diluted). Logic is valued in the Company’s financial statements at £2.5 million by using an EBITDA multiple derived from appropriate publicly quoted comparators which is discounted to reflect, inter alia, Logic’s relative size, historic and current operating performance and growth prospects. The discounted multiple is then applied to Logic’s EBITDA forecast for the current financial year. It is the case, however, that the discount could be lower should Logic’s operating performance show sustained improvement. In such a scenario the valuation of the Company’s investment in Logic could exceed £5.0 million.

Notes to the Financial Statements

continued

9 Investments held at fair value through profit or loss continued

(e) Significant holdings in investments

The Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies' (the 'SORP') as issued by the Association of Investment Companies in January 2009 requires that certain particulars are given in respect of holdings in investments that are material in the context of the Company's accounts.

(i) As at 31 December 2010, the Company held directly or indirectly 3% or more of any class of share in the following companies that represent material holdings in the context of the accounts:

Company name	% of class held
The Music Group (Rutland Fund I)	47.7%
Openshaw Group (Rutland Fund I)	40.5%
Advantage Healthcare Group (Rutland Fund I)	40.3%
Notemachine Holdings Limited (Rutland Fund I)	38.2%
The Logic Group Holdings Limited (Direct holding)	30.6%
Wolstenholme Group (Rutland Fund I)	28.6%
Boat International Media Limited (August Equity Partners I)	15.4%
Planit Holdings Limited (August Equity Partners I)	14.0%
Enara Group Limited (August Equity Partners II A)*	13.1%
Accura Holdings Limited (August Equity Partners II A)*	13.1%
Active Assistance Finance Limited (August Equity Partners II A)*	13.1%
ONO Packaging SAS (Parallel Ventures 2006)	13.0%
Funeral Services Partnership Limited (August Equity Partners II A)*	12.6%
4 Projects Limited (August Equity Partners II A)*	11.8%
Rollfold Holdings Limited (August Equity Partners I)	11.5%
Premo Group (Parallel Ventures 2006)	8.4%
Liberty Acquisitions Limited (Lifeway Community Care Group) (August Equity Partners I)	8.0%
ELOY SAS (Parallel Ventures 2006)	3.0%

*After the year end, sold as part of the disposal of the Company's transfer of commitment to August Equity Partners II A.

(ii) During the year under review the following significant write-ups of unquoted investments were made (2009: nil)

Astorg IV	31%
August Equity Partners II A	19%
Century Capital Partners Fund IV	25%
Elderstreet Capital Partners	44%
Parallel Ventures 2006	21%

(iii) The significant disposals in unquoted investments during the year were:

Investment	Carrying value of disposal at 31 December 2009 £'000	Transaction prior to disposal £'000	Cost of disposal £'000	Proceeds £'000
August Equity Partners I (part disposal)	603	–	358	892

Notes to the Financial Statements

continued

10	Commitments	2010 £'000	2009 £'000
	The level of outstanding commitments at the year end was:		
	August Equity Partners II A	11,997	16,423
	Rutland Fund II	5,737	7,072
	Fondinvest Capital VIII	3,390	3,693
	Lyceum Capital Fund II	3,335	4,216
	Rutland Fund I	2,898	8,233
	Pragma Capital II	2,890	3,665
	Astorg IV	1,350	1,794
	Parallel Ventures 2006 Limited Partnership	817	1,678
	Century Capital Partners Fund IV	797	1,310
	Zeus Private Equity Fund	478	527
	August Equity Partners I	348	691
	Elderstreet Capital Partners	31	31
	KB Fund III and KB Fund IIIB	-	1,791
	Outstanding commitments	34,068	51,124

As explained in the Investment Review on pages 4 to 6, it is unlikely that these commitments will be fully called as some partnerships are now past their initial five-year investment period and also because a portion of commitments tends to be reserved as a contingency. It is expected that likely drawdowns over the three years from 31 December 2010 will be £28.3 million (2009: £38.0 million).

It is also the case that, following the Company's adoption of an asset realisation strategy on 27 September 2010, future disposals of certain limited partnership holdings will reduce the Company's level of undrawn commitments while at the same time generating cash sale proceeds. Indeed, since the year end this has already occurred following the sale of the Company's holding in August Equity Partners II A on 4 March 2011. This generated cash proceeds of £16.8 million and released £12 million of undrawn commitments.

11	Current Assets	2010 £'000	2009 £'000
	Amounts receivable within one year:		
	Accrued income	4	56
	Tax recoverable	11	360
	Other debtors	24	12
		39	428
	Cash at bank:		
	Short term deposits	-	-
	Current accounts	137	4,610
		137	4,610

Notes to the Financial Statements

continued

12 Current Liabilities	2010 £'000	2009 £'000
Creditors: amounts falling due within one year:		
Bank loan	–	7,728
Bank overdraft	–	1,129
Corporation tax	–	286
Interest payable	47	–
Other creditors	556	476
	<u>603</u>	<u>9,619</u>

13 Creditors: amounts falling due after more than one year	2010 £'000	2009 £'000
Bank loan*	15,651	–
	<u>15,651</u>	<u>–</u>

*The bank loan is secured by a floating charge over the assets of the Company by way of a debenture provided by the Company to Lloyds TSB Bank plc. The £30 million Committed Loan Facility was renewed in April 2010 and amended in August 2010, the final maturity date being 1 May 2012. As at 31 December 2010, £14.3 million was available for draw down.

14 Share Capital	2010 £'000	2009 £'000
Authorised		
40,000,000 Ordinary Shares of 5p each	<u>2,000</u>	<u>2,000</u>
Issued and fully paid		
18,850,212 Ordinary Shares of 5p in issue	942	942
832,000 Ordinary shares of 5p held in treasury	42	42
	<u>984</u>	<u>984</u>

The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

15 Reserves	Share premium account £'000	Capital redemption reserve £'000	Capital reserves* £'000	Revenue reserve £'000
Balance brought forward	17,321	705	36,500	1,548
Gains on disposal of investments	–	–	997	–
Net change in investment holding gains	–	–	5,207	–
Realised exchange gains on currency balances	–	–	66	–
Net revenue for the year	–	–	–	(1,049)
	<u>17,321</u>	<u>705</u>	<u>42,770</u>	<u>499</u>
			2010 £'000	2009 £'000
*Included within Capital Reserves are investment holding gains/(losses) of:			<u>602</u>	<u>(5,220)</u>

Notes to the Financial Statements

continued

16 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:

	2010	2009
Net Asset Value per Ordinary Share	330.4p	302.7p
Net Asset Value attributable to Ordinary Shares of 5p	£62,279,000	£57,058,000

The Net Asset Value per Ordinary Share is based on 18,850,212 (2009: 18,850,212) Ordinary Shares in issue at the year end.

17 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2010 £'000	2009 £'000
Net return before finance costs and taxation	5,487	(4,583)
Adjustment for:		
(Gains)/losses on disposal of investments	(6,204)	4,167
Currency gains on foreign exchange	(66)	(90)
Less: tax suffered on investment income at source	(1)	(118)
	784	(624)
Decrease/(increase) in other debtors	40	(13)
Increase in other creditors (excluding interest)	80	103
Net cash outflow from operating activities	(664)	(534)

18 Analysis of Changes in Net Debt

	2009 £'000	Cash flow £'000	Exchange movement £'000	Other changes £'000	2010 £'000
Cash and short term deposits	4,610	(4,539)	66	-	137
Bank overdraft	(1,129)	1,129	-	-	-
Bank loan	(7,728)	-	-	(7,923)	(15,651)
Net debt	(4,247)	(3,410)	66	(7,923)	(15,514)

19 Financial Instruments

Risk management policies and procedures

The Company's investment objective is to conduct an orderly realisation of the assets of the Company, to be effected in a manner that seeks to maximise their value and return cash to Shareholders promptly.

The Company's assets and liabilities are all stated at fair value as explained in note 1(i). For listed securities this represents bid prices. For private equity investments, the valuation process is judgemental and subject to estimation risk. The Directors rely upon information and valuations provided by the third-party fund managers and apply the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involve certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of potential revenue profits available for dividend. As an investment trust, the Company invests in securities

Notes to the Financial Statements

continued

19 Financial Instruments continued

for the long term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main financial instrument risks arising from the Company's pursuit of its investment objective are market risk (comprising price risk, interest rate risk, and currency risk), liquidity risk and credit risk. The Board has reviewed and agreed policies for managing each of these risks, which are unchanged from the previous year, and which are summarised below.

Note 19(h) sets out a summary of the Company's financial assets and liabilities by category.

a) Market Risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices or valuations determined by the Directors or General Partners of the Limited Partnerships in which the Company may hold an interest. This market risk comprises three elements - currency risk (see note 19(b)), interest rate risk (see note 19(c)), and price risk (see note 19(d)). The Board reviews and agrees policies for managing these risks. The Company's Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

b) Currency Risk

Although the majority of the Company's assets are denominated in Sterling, the Company is exposed to some foreign currency risk through its investments in non-Sterling denominated securities.

Management of the risk

The Manager monitors the Company's exposure to foreign currencies on a weekly basis and reports to the Board on a regular basis. Due to the current relatively low level of currency exposure, derivative contracts are not presently used to hedge against such exposure.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 December 2010 are shown below.

Where the Company's equity investments (which are not monetary items) are priced in foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2010 US Dollars £'000	2010 Euros £'000	2010 Total £'000	2009 US Dollars £'000	2009 Euros £'000	2009 Total £'000
Investments at fair value through profit or loss that are monetary items	-	-	-	-	-	-
Cash at bank and short-term deposits	-	121	121	1,166	-	1,166
Bank overdraft	-	-	-	-	(198)	(198)
Debtors	-	-	-	-	1	1
Creditors	-	-	-	-	-	-
Foreign currency exposure on net monetary items	-	121	121	1,166	(197)	969
Investments at fair value through profit or loss that are equities	3,398	11,438	14,836	2,520	8,869	11,389
Total net foreign currency exposure	3,398	11,559	14,957	3,686	8,672	12,358

Notes to the Financial Statements

continued

19 Financial Instruments continued

b) Currency Risk continued

Foreign currency exposure continued

The fair values of the Company's outstanding commitments to limited partnerships that have foreign currency exposure at 31 December 2010 are shown below:

	2010 US Dollars £'000	2010 Euros £'000	2010 Total £'000	2009 US Dollars £'000	2009 Euros £'000	2009 Total £'000
Total net foreign currency exposure	797	7,630	8,427	1,310	9,152	10,462

Foreign currency sensitivity

During the financial year Sterling depreciated by 3.1% (2009: appreciated by 12.3%) against the US dollar and appreciated by 3.7% (2009: appreciated by 8.8%) against the Euro.

It is not possible to forecast how much exchange rates might move in the next year, but based on the movements in currencies above in the last two years, it appears reasonably possible that rates could change by 10%.

Applying a 10% (2009: 10%) change in rate to the exposures listed above would affect net assets and capital return as follows:

	2010 US Dollars £'000	2010 Euros £'000	2010 Total £'000	2009 US Dollars £'000	2009 Euros £'000	2009 Total £'000
If exchange rates appreciated by 10% (2009: 10%)	(309)	(1,051)	(1,360)	(335)	(788)	(1,123)
If exchange rates depreciated by 10% (2009: 10%)	378	1,284	1,662	410	964	1,374

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as a result of investment portfolio activity.

c) Interest Rate Risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities. Interest rate changes will also have an impact in the valuation of equities, although this forms part of other price risk, which is considered separately below.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the loan facilities. The Company has a committed loan facility of £30.0 million of which £15.7 million (2009: £7.7 million) was drawn down at the year end. The facility matures on 1 May 2012.

The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. Cash awaiting investment or distribution to shareholders in line with the realisation strategy may be invested in listed fixed interest investments, primarily UK gilts. Derivative contracts are not used to hedge against the exposure to interest rate risk.

Notes to the Financial Statements

continued

19 Financial Instruments continued

c) Interest Rate Risk continued

Interest rate exposure

The exposure, at 31 December, of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set; and
- fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

	2010 Within one year £'000	2010 More than one year £'000	2010 Total £'000	2009 Within one year £'000	2009 More than one year £'000	2009 Total £'000
Exposure to floating interest rates:						
Cash at bank and short-term deposits	137	–	137	4,610	–	4,610
Bank loan	(15,651)	–	(15,651)	(7,728)	–	(7,728)
Bank overdraft	–	–	–	(1,129)	–	(1,129)
	(15,514)	–	(15,514)	(4,247)	–	(4,247)
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	–	3,211	3,211	–	3,062	3,062
	–	3,211	3,211	–	3,062	3,062
Total exposure to interest rates	(15,514)	3,211	(12,303)	(4,247)	3,062	(1,185)

The above year end amounts are not representative of the exposure to interest rates during the year, because the level of exposure changes as borrowings are drawn down and repaid.

Interest receivable and finance cash are at the following rates:

- Interest received on cash balances is at a margin over LIBOR or its foreign currency equivalent (2009: same).
- Interest paid on the £30 million loan facility is at 3.4% over LIBOR.
- The nominal interest rates on investments at fair value through profit or loss are shown in the Investment Portfolio on page 7. The weighted average effective interest rate on these investments is 13.4% (2009: 9.6%).

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 100 (2009: 100) basis points in interest rates in regard to the Company's monetary financial assets that are subject to interest rate risk.

This level of change is considered to be reasonably possible based on observation of current market conditions.

The sensitivity analysis is based on the Company's monetary financial instruments held at each balance sheet date, with all other variables held constant.

Notes to the Financial Statements

continued

19 Financial Instruments continued

c) Interest Rate Risk continued

Interest rate sensitivity continued

	Increase in rate 2010 £'000	Decrease in rate 2010 £'000	Increase in rate 2009 £'000	Decrease in rate 2008 £'000
Effect on revenue return	(155)	155	(42)	42

Effect on capital return:

Movements in interest rates will have an impact on the market price of a fixed rate investment. At the year-end the Company held a convertible loan stock paying 8.25% with a maturity of 5 June 2016. The value of this investment at the year end was £711,000. Although there will be an element of price sensitivity to interest rates, any such impact is not considered to be material.

d) Other price risk

The Company's exposure to other price risk comprises mainly movements in the value of its equity investments. A detailed breakdown of the Investment Portfolio is given on page 7. Investments are valued in accordance with the Company's accounting policies. Uncertainty arises as a result of future changes in the valuations of the Company's private equity investments, the market prices of the Company's listed equity investments and the effect changes in exchange rates may have on the Sterling value of the investments. Where the Company intends to sell investments on the secondary market it is also exposed to the risk that the exit is achieved at a price different to the valuation.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts.

The Company had no derivative instruments at the year end, but, in the event that it had, the value of derivative instruments held at the balance sheet date would be determined by reference to their market value at that date.

The unquoted investments are held at Directors' valuations, which are prepared in accordance with the principles set out by the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. All valuations are reviewed by the Manager, the Company's Audit Committee and subsequently recommended to the Board for acceptance. Details of the valuation bases for the limited partnership investments are provided on pages 36 and 37.

With the unquoted investments, a key control is the spreading of risk across a large number of investments. To this end the Company is currently invested in limited partnerships, which on a look through basis are invested in 70 companies. The Manager has stringent investment selection, approval and monitoring procedures. The Manager closely monitors and where necessary enters into dialogue with the General Partners as managers of the funds or limited partnerships in which the Company has an interest.

Notes to the Financial Statements

continued

19 Financial Instruments continued

Other price risks exposure

The Company's exposure to other changes in market prices at 31 December on its quoted equity investments was as follows:

	2010 £'000	2009 £'000
Fixed asset quoted equity investments at fair value through profit or loss	<u>3,974</u>	<u>4,895</u>

The Company's exposure to other changes in prices at 31 December on its unquoted equity investments was as follows:

	2010 £'000	2009 £'000
Fixed asset unquoted equity investments at fair value through profit or loss	<u>71,172</u>	<u>53,677</u>

An analysis of the Company's portfolio is shown on pages 7 to 12.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 20% (2009: 20%) in the fair values of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	Increase in fair value 2010 £'000	Decrease in fair value 2010 £'000	Increase in fair value 2009 £'000	Decrease in fair value 2009 £'000
Effect on revenue return	–	–	(142)	142
Effect on capital return	<u>15,029</u>	<u>(15,029)</u>	<u>11,714</u>	<u>(11,714)</u>
Effect on total return and on net assets	<u>15,029</u>	<u>(15,029)</u>	<u>11,572</u>	<u>(11,572)</u>

e) **Liquidity Risk**

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities, including outstanding commitments associated with financial instruments. Since a significant proportion of assets are in unquoted investments there is a liquidity risk as these assets cannot often be readily realised to meet short term liquidity needs.

Management of the risk

The liquidity risk is managed by maintaining some cash or cash equivalent holdings and appropriate loan facilities in order to meet investment requirements as they fall due. As at the year end the Company had liquid resources of £19.1 million. This comprised £0.1 million cash, £4.7 million of listed investments and £14.3 million of undrawn loan facilities. The loan facility is £30.0 million committed until 1 May 2012. At the year end the Company complied with all facility covenants.

Undrawn commitments at the year end were £34.1 million compared with liquid resources of £19.1 million. It is anticipated that up to £28.3 million of the commitments will be drawn down over the three years to 31 December 2013.

Notes to the Financial Statements

continued

19 Financial Instruments continued

e) Liquidity Risk continued

Management of the risk continued

As the commitments are expected to be drawn down over the next few years, during which time there will also be distributions from existing private equity investments, this level of drawdowns is considered to be manageable and is kept under review by the Portfolio Manager and the Board.

It is also the case that, following the Company's adoption of an asset realisation strategy on 27 September 2010, future disposals of certain limited partnership holdings will reduce the Company's level of undrawn commitments while at the same time generating cash sale proceeds. Indeed, since the year end this has already occurred following the sale of the Company's holding in August Equity Partners II A on 4 March 2011. This generated cash proceeds of £16.8 million and released £12 million of undrawn commitments.

Liquidity risk exposure

A summary of the Company's financial liabilities is provided in note 19(h). The Company has sufficient funds to meet these financial liabilities as they fall due.

f) Credit and Counterparty Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk

The Company manages credit risk by entering into deals only with brokers pre-approved by a committee of Henderson Global Investors. The Custodian of the Company's assets is reviewed on an annual basis and is subject to periodic internal control reporting to the Company.

Credit risk exposure

The exposure to credit risk at the year end comprised:

	2010 £'000	2009 £'000
Accrued income	4	56
Cash at bank and on deposit	137	4,610
	141	4,666

During the year the deposits were with banks that had ratings (per Moody's) of 'Aa3', or higher.

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

g) Fair Values of Financial Assets and Financial Liabilities

The Company's financial instruments are stated at their fair values at the year end. The fair value of listed shares and securities is based on last traded market prices. The fair value of unlisted shares and securities is based on Directors valuations as detailed in note 19(d).

Notes to the Financial Statements

continued

19 Financial Instruments continued

h) Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Company's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

	2010 £'000	2009 £'000
Financial Assets		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	78,357	61,639
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	28	68
Tax recoverable	11	360
Cash at bank and short-term deposits	137	4,610
	78,533	66,677
Financial Liabilities		
Creditors: amounts falling due greater than one year		
Borrowings under the loan facility	15,651	–
Creditors: amounts falling due within one year		
Borrowings under the loan facility	–	7,728
Bank overdraft	–	1,129
Accruals	603	476
	16,254	9,333

Notes to the Financial Statements

continued

20 Capital Management Policies and Procedures

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective, set out on page 14.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- (i) the planned level of gearing;
- (ii) the need to buy back or issue equity shares; and
- (iii) the determination of dividend payments.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of Section 1158 - 1159 Corporation Tax Act 2010 and the Companies Act 2006 respectively.

These provisions are unchanged since the previous year and the Company has complied with them.

21 Related party transactions

The investment manager, Henderson Global Investors Limited ("Henderson"), is regarded as a related party of the Company. Further information on the share interests of Henderson is provided on pages 16 and 25.

During the year, total management fees of £824,000 (2009: £756,000) were payable to the Manager for investment management services to the Company.

The basis of management fees charged is disclosed in note 3.

At the balance sheet date, management fees totalling £210,000 (2009: £211,000) were accrued.

22 Post balance sheet event

The Company's investment and outstanding commitment in August Equity Partners II A was sold on 4 March 2011, the proceeds of which amounted to £16.8 million. £16.0 million was used to repay the outstanding bank facility borrowings as at 4 March 2011.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Henderson Private Equity Investment Trust plc will be held on the 12th Floor, 201 Bishopsgate, London EC2M 3AE on Thursday, 16 June 2011 at 3.30pm for the following purposes:

Ordinary Business

1. To receive the Directors' Report and the audited Financial Statements for the year ended 31 December 2010.
2. To receive and approve the Directors' Remuneration Report for the year ended 31 December 2010.
3. To re-appoint Ian Orrock as a Director.
4. To re-appoint Barry Dean as a Director.
5. To re-appoint KPMG Audit plc as registered auditors to the Company.
6. To authorise the Directors to determine the auditors' remuneration.

Other Business

To consider and, if thought fit, pass the following resolutions of which Resolution 7 will be proposed as an Ordinary resolution and Resolutions 8-11 will be proposed as Special resolutions.

7. THAT in substitution of all existing authorities, the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 551) up to an aggregate nominal amount of £47,125 (being 5% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice of Annual General Meeting) during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the Annual General Meeting in 2012 (unless previously revoked, varied or renewed, by the Company in general meeting), save that the Company may make an offer or agreement which would or may require relevant securities to be allotted after the expiry of this authority and the Board may allot relevant securities pursuant to any such offer or agreement as if this authority had not expired.
8. THAT in substitution of all existing authorities and subject to the passing of resolution 7 the Directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 7 above

as if Section 561 of the Act did not apply to the allotment provided that this power shall be limited to:

- a) the allotment of equity securities whether by way of a rights issue, open offer or otherwise in favour of ordinary shareholders on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (or are otherwise allotted in accordance with the rights attaching to such equity securities) subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or local or practical problems arising under the laws of, or the requirements of any regulatory body or stock exchange in any territory or otherwise howsoever; and
- b) the allotment (otherwise than pursuant to subparagraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £47,125 (being 5% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice of Annual General Meeting); and
- c) to the allotment of equity securities at a price of no less than the net asset value per share;

and shall expire upon the expiry of the general authority conferred by resolution 7 above (unless previously revoked, varied or renewed, by the Company in general meeting), save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

9. THAT the Directors be and they are hereby empowered pursuant to Section 560 of the Companies Act 2006 ("the Act") to sell treasury shares as if Section 561 of that Act did not apply to any such sale provided that:
 - a) this power be limited to the sale (otherwise than pursuant to any authority conferred by resolution 7 above) to any person or persons of treasury shares up to an aggregate nominal amount of £94,251; and
 - b) the Company be and is hereby and unconditionally authorised to sell treasury shares at a price per share

Notice of Annual General Meeting

continued

that is less than the prevailing net asset value per share provided that the sale price represents a discount to the prevailing net asset value per share that is lower than the average discount at which the treasury shares were purchased;

and shall expire upon the expiry of the general authority conferred by resolution 7 above (unless previously revoked, varied or renewed, by the Company in general meeting), save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be sold after such expiry and the Directors shall be entitled to sell equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

10. THAT the Company be and is hereby and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of Section 693 of that Act) of ordinary shares of 5 pence each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:

- a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 2,825,646 (representing 14.99% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice of Annual General Meeting);
- b) the minimum price which may be paid for an ordinary share shall be 5p;
- c) the maximum price which may be paid for an ordinary share shall be an amount equal to 105% of the average middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased, or such other amount as may be specified by the UK Listing Authority from time to time;
- d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
- e) the authority hereby conferred shall expire on the conclusion of the Annual General Meeting in 2012 (unless previously revoked, varied or renewed, by the Company in general meeting); and
- f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to such contract.

11. THAT a general meeting, other than an annual general meeting or a meeting called to pass a special resolution, may be called on not less than 14 clear days notice.

By Order of the Board

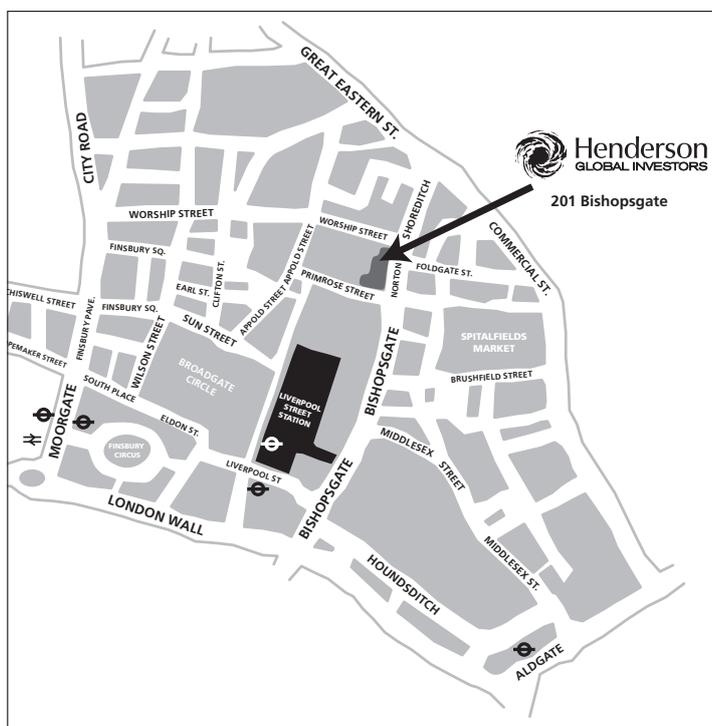
Tracey Lago ACIS

For and on behalf of
Henderson Secretarial Services Limited
Corporate Company Secretary

27 April 2011

Notice of Annual General Meeting – Notes

Annual General Meeting Venue



Shown left is a map of the location of Henderson Global Investors where the AGM will be held at 3.30pm on Thursday, 16 June 2011.

■ Henderson Global Investors,
201 Bishopsgate, London EC2M 3AE

Henderson Global Investors is located in the City of London at Bishopsgate.

It is a few minutes walk from Liverpool Street mainline and underground stations, Bank and Moorgate underground stations.

Notes

Resolutions 1 to 7 are proposed as ordinary resolutions, which, to be passed, require more than half of the votes cast to be in favour of the resolution. Resolutions 8 to 11 are proposed as special resolutions, which, to be passed, require at least three-quarters of the votes cast to be in favour of the resolution.

1. Voting record date

Only members registered in the Register of Members of the Company at 6.00pm on 14 June 2011 shall be entitled to attend and vote at the AGM in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after 6.00pm on 14 June 2011 shall be disregarded in determining the rights of any person to attend and vote at the meeting. In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

2. Rights to attend and vote

Members are entitled to attend and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof. On a poll each member has one vote for every one share held.

3. Right to appoint proxies

Pursuant to Section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

A form of proxy is enclosed. The completion of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting.

Section 324 does not apply to persons nominated to receive information rights pursuant to Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise

Notice of Annual General Meeting – Notes

continued

it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

4. Proxies' rights to vote at the meeting

On a vote on a show of hands, each proxy has one vote.

If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

On a poll all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, Section 285(4) of the Companies Act 2006 does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

5. Voting by corporate representatives

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with Section 323 of the Companies Act 2006.

6. Receipt and termination of proxies

To be valid the form of proxy must be lodged with the Company's Registrars no later than 48 hours before the time appointed for the meeting (excluding weekends and bank holidays) or any adjournment of the meeting. A member may terminate a proxy's authority at any time before the commencement of the meeting. Termination must be provided in writing and submitted to the Company's Registrar.

In accordance with the Company's articles of association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

7. Electronic receipt of proxies

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this AGM and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who

have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (ID: RA10) by the latest time for receipt of proxy appointments specified in note 6 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Questions at the Annual General Meeting

Section 319A of the Companies Act 2006 requires the directors to answer any question raised at the AGM which relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on a website in the form of an answer to a question; or (c) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Notice of Annual General Meeting – Notes

continued

9. Website

Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website in accordance with Section 527 of the Companies Act 2006 must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required in accordance with Section 527 of the Companies Act 2006 to publish on its website.

By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.

A copy of the notice of the Annual General Meeting, including these explanatory notes, is included on the Company's website, www.hendersonprivateequity.com

10. Total voting rights at date of notice

The total number of votes in the Company is 18,850,212.

11. Members' right to require circulation of resolution to be proposed at the AGM

Under Section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 13 may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that:

- (i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise).
- (ii) The resolution must not be defamatory of any person, frivolous or vexatious.

(iii) The request:

- (a) may be in hard copy form or in electronic form (see note 14);
- (b) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identify the resolution which is being supported;
- (c) must be authenticated by the person or persons making it (see note 14); and
- (d) must be received by the Company not later than six weeks before the AGM.

(iv) In the case of a request made in hard copy form, such request must be:

- (a) authenticated by signing, giving full name and address and providing evidence of the number of shares held; and
- (b) sent to the Company Secretary, Henderson Private Equity Investment Trust plc, 201 Bishopsgate, London EC2M 3AE.

(v) In the case of a request made in electronic form, such request must be:

- (a) authenticated by signing and scanning a copy of the request, giving full name and address and providing evidence of the number of shares held; and
- (b) sent to itsecretariat@henderson.com

12. Members' right to have a matter of business dealt with at the meeting

Under Section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 13, may, subject to conditions, require the Company to include in the business to be dealt with at the AGM a matter (other than a proposed resolution) which may properly be included in the business (a matter of business).

Notice of Annual General Meeting – Notes

continued

The conditions are that:

- (i) The matter of business must not be defamatory of any person, frivolous or vexatious.
- (ii) The request:
 - (a) may be in hard copy form or in electronic form (see note 14);
 - (b) must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported;
 - (c) must be accompanied by a statement setting out the grounds for the request;
 - (d) must be authenticated by the person or persons making it (see note 14); and
 - (e) must be received by the Company not later than six weeks before the AGM.

13. Members' qualification criteria

In order to be able to exercise the members' right to require:

- (a) circulation of a resolution to be proposed at the AGM (see note 11); or
- (b) a matter of business to be dealt with at the AGM (see note 12);

the relevant request must be made by:

- (i) a member or members having a right to vote at the AGM and holding at least 5% of total voting rights of the Company; or
- (ii) at least 100 members having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total number of voting rights, see notes 2 and 10.

14. Submission of hard copy and electronic requests and authentication requirements

Where a member (or members) wishes to request the Company to:

- (a) circulate a resolution to be proposed at the AGM (see note 11); or

- (b) include a matter of business to be dealt with at the AGM (see note 12);

such request must be in writing and signed by the member(s) and must include the full name and address of the member(s) and provide evidence of the number of shares held. The request should be submitted to the Company in one of the following ways:

- (i) The hard copy of the request can be sent to the Company Secretary, Henderson Private Equity Investment Trust plc, at 201 Bishopsgate, London EC2M 3AE; or
- (ii) A copy of the signed request can be faxed to 020 7818 7225 marked for the attention of the Company Secretary, Henderson Private Equity Investment Trust plc or Investment Trust Secretariat; or
- (iii) A scanned copy of the signed request can be emailed to **itsecretariat@henderson.com** Please state "AGM" in the subject line of the e-mail.

15. Documents on display

Copies of the letters of appointment of the directors of the Company will be available for inspection at the registered office, 201 Bishopsgate, London EC2M 3AE from 13 May 2011 until the time of the meeting and at the meeting itself for at least 15 minutes prior to the meeting until the end of the meeting:

16. Communication

Except as provided above, members who have general queries about the meeting should send such queries to the Company Secretary, Henderson Private Equity Investment Trust plc, 201 Bishopsgate, London EC2M 3AE.

You may not use any electronic address provided either in this notice of AGM or any related documents to communicate with the Company for any purposes other than those expressly stated.

Investor Information

Directors

John D Mackie CBE (Chairman)
Terry M Connor (Senior Independent Director)
Barry M Dean
Ian J Orrock

Investment Manager

Henderson Global Investors Limited
Authorised and regulated by the Financial Services Authority
Portfolio Manager: Ian Barrass
Email: enquiries@itshenderson.com

Corporate Company Secretary

Henderson Secretarial Services Limited, represented by
Tracey Lago ACIS

Registered Office

201 Bishopsgate
London EC2M 3AE

Registered Number

Registered in England and Wales: 159836

Independent Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Solicitors

Herbert Smith LLP
Exchange House
London EC2A 2HS

Registrars

Capita Registrars Ltd
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder enquiries:

0871 664 0300

Nominee/Broker enquiries:

0906 558 0026

Lines are open 8.30am-5.30pm, Monday-Friday.

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

Email: ss@capitaregistrars.com

Bankers

Lloyds Banking Group
1st Floor
25 Gresham Street
London EC2V 7HN

Stockbrokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Custodian

BNP Paribas Securities Services Limited
55 Moorgate
London EC2R 6PA



Investor Information

continued

Share price information

The market price of the Company's shares and net asset value may be found at www.itshenderson.com and is published in the Financial Times daily.

Share Identification Codes

SEDOL: 3095531
 ISIN: GB0030955313
 BLOOMBERG: HPEQ:LN
 EPIC: HPEQ
 FT: HPEQ:LSE

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. Alternatively, you may use the Henderson partner service Halifax Share Dealing.

Halifax Share Dealing Service

Lovell Park Road
 Leeds LS1 1NS
 Telephone: 0845 6090408

Capital Gains Tax

The calculation of tax on chargeable gains will depend on personal circumstances. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Nominee Code

Where shares in the Company are held by nominee companies, the Company undertakes to:

- Provide to nominees who have indicated in advance a wish to receive them, copies of shareholder communications for distribution to their customers.
- Encourage nominees to advise investors that they will be welcome to attend general meetings, and to speak when invited to do so.

Website

www.hendersonprivateequity.com

The financial statements are published on the www.hendersonprivateequity.com website, which is a website maintained by the Company's Manager, Henderson Global Investors Limited ("Henderson"). The maintenance and integrity of the website maintained by Henderson or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.



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