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Henderson Private Equity Investment Trust plc

Report and Financial Statements for the year ended 31 December 2012

Henderson Private Equity Investment Trust plc
(the "Company")

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 (the "Realisation Strategy")

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

Contents

Financial Highlights

	31 December 2012	31 December 2011	Change %
Net Assets[1]	**£14.2m**	£62 5m	-77 3
Net Asset Value per Ordinary share[1]	**400 1p**	402 0p	-0 5
Share price[2]	**364 5p**	319 0p	+14 3
Discount[1]	**8 9%**	20 6%	-
On-going charges[1]~	**1 89%**	1 54%	-
On-going charges (including performance fee)[1]~	**5.45%**	1 54%	-
FTSE All-Share Index[2]	**3,093 4**	2,857 9	+8 2
LPX Indirect Index[2]*#	**49 1**	39 7	+23 7
LPX Europe Index[2]#	**321 0**	257 6	+24 6

(1) Source Henderson Global Investors Limited

(2) Source Morningstar

~On-going charges are calculated in accordance with recent guidance issued by the AIC as the total of the investment management fee and on-going administrative expenses divided by the average undiluted net asset value in the year The figure for 2011 has been restated, in line with the guidance

*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 2011

Source Henderson Global Investors Limited

Chairman's Statement

2012 was another positive year for your Company as its Realisation Strategy, adopted in September 2010, moved decisively towards a very successful final outcome

The Portfolio Manager disposed of 11 investments at satisfactory prices generating disposal proceeds of £19 5 million The Company also received distributions of £29 0 million from its unlisted fund holdings following the exit of their two largest underlying portfolio companies These proceeds were used to fund £47 5 million of cash returns to Shareholders during the year so that the Company has now returned a total of £60 0 million to Shareholders since the adoption of the Realisation Strategy through dividends and tender offers This compares favourably with the Company's market capitalisation of £24 4 million just prior to the change in strategy

Pleasingly, there was also a further significant narrowing of the Company's share price discount to net asset value ("NAV") per share

Realisation Strategy

On 27 September 2010 the Company's Shareholders voted decisively in favour of the Realisation Strategy recommended to them by the Board with the full support of the Portfolio Manager Whilst no fixed timeframe was stipulated for the disposal programme, the Board's expectation was that it would be materially complete in two years, namely around September 2012 Considerable progress was made with the execution of the strategy during 2012 so that the Company retained only two private equity unlisted fund investments at the year end, being Rutland Fund I and August Equity Partners I Following the disposal of Advantage Healthcare by Rutland Fund I in December, only August Equity Fund I held any remaining portfolio companies at the year end These were Boat International and Rollfold Holdings, both of which are likely to be exited over the next year

It should once again be noted that as the portfolio has reduced in size, the risk associated with greater asset concentration has increased significantly

Following the successful Third Tender Offer to Shareholders in December 2012, the Manager achieved the cash hurdle set for the payment of a performance fee and accordingly a fee of £1 1 million was paid Given the advanced stage of the Realisation Strategy the Manager has been able to form a reliable estimate for the likely total remaining performance fee payable Therefore at the year end a further performance fee of £0 8 million has been accrued meaning that the total performance fee expense for the year was £1 9 million

Portfolio Valuation and Share Price Performance

The Company's investment portfolio again performed satisfactorily despite the continuing macro-economic uncertainty across Europe At 31 December 2012 the

Chairman's Statement

continued

Company's NAV per share was 400 1p compared with 402 0p at 31 December 2011, a decrease of 0 5% over the period Further information on the Company's investment portfolio is provided on page 7 and also in the Portfolio Manager's Review

The Company's share price continued to improve during the year, rising by 14 3% to 364 5p This compared with a 23 7% rise in the LPX Indirect Index which includes the private equity companies most comparable to the Company that trade on a European exchange This underperformance against the LPX Indirect Index follows two years of strong out-performance and reflects the fact that the Company has now converted most of its private equity portfolio into cash The Company's share price still outperformed the FTSE All-Share Index which experienced an 8 2% rise during the period

Encouragingly, the Company's share price discount to NAV per share continued to narrow falling to 8 9% by the year end This compared favourably with 20 6% at 31 December 2011

Balance Sheet and Liquidity

The asset realisations completed by the Portfolio Manager during the year generated £19 5 million and released the Company from £5 0 million of undrawn unlisted fund commitments The Company also received distributions of £29 0 million from its unlisted fund investments Notwithstanding the £47 5 million return of cash to Shareholders during the year, the Company ended the year with liquid assets (being cash, cash equivalents and listed holdings) of £2 8 million (31 December 2011 £7 4 million) This liquidity position was further strengthened after the year end when the Company received a cash distribution of £7 9 million from Rutland Fund I in relation to the sale of Advantage Healthcare during December

Regardless of the Company's strong liquidity and balance sheet position, the Board continues to work 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 the now minimal level of remaining unlisted fund commitments may be drawn down and underlying portfolio investments may be realised In the opinion of the Board the Company has sufficient resources to meet its future commitments until the Realisation Strategy is complete

Related Party Transactions

During the year ended 31 December 2012, with the exception of fees paid in the ordinary course of business, no transactions with related parties have taken place that materially affected the financial position or performance of the Company during the period Details of related party transactions are contained in this Annual Report and Financial Statements

Dividend

It remains the Company's policy to pay dividends only to the extent required to maintain investment trust status In this regard, during the year the Company declared and paid a dividend for the year ended 31 December 2011 of £1 2 million (7 4p per share)

The Company will also pay a dividend of £79,609 (2 25p per share) in relation to the financial year ended 31 December 2012 The dividend of 2 25p per share will be paid on 31 May 2013 to Shareholders on the register of members on 10 May 2013, shares will go ex-dividend on 8 May 2013

Summary and Outlook

The Realisation Strategy has progressed well with £60 0 million of cash returned to Shareholders to date and only two remaining underlying investments in the portfolio at the year end Disposals have been completed at satisfactory valuations and the Company is debt free and liquid During the year the Company's share price continued to perform satisfactorily and its share price discount to NAV per share narrowed further

As announced on 8 February 2013, in view of the very advanced status of the Realisation Strategy, the Board is now aiming to post a circular to Shareholders during the second quarter of 2013 which will propose the Company's voluntary liquidation and the appointment of a liquidator

Chairman's Statement
continued

It is expected that the voluntary liquidation proposal will include a substantial initial capital distribution by the liquidator to Shareholders at or around the date of the liquidator's appointment The liquidator will, however, need to retain sufficient cash and other assets to cover the Company's estimated residual and contingent liabilities, with further distributions being made to Shareholders as and when possible

It is of course the case that, even at this very advanced stage of the Realisation Strategy, the fragile macro-economic outlook across the UK and Europe could negatively impact the value of the Company's remaining investment in August Equity Partners I which represented £3 9 million of the Company's year end net asset value of £14 2 million Notwithstanding this note of caution, the Board and the Portfolio Manager are delighted with the overall outcome of the Realisation Strategy which has proved to be highly beneficial for the Company and its Shareholders

In view of this the Board would, on behalf of Shareholders, like to thank the Manager, and in particular Ian Barrass, the Portfolio Manager, for an outstanding effort

John Mackie CBE
Chairman
25 April 2013

Portfolio Manager's Review

Performance Overview

Following the Company's adoption of the Realisation Strategy on 27 September 2010, 2012 saw the second full year of disposal activity during what was another period of market uncertainty across the UK and Europe

It is pleasing to report that 2012 proved to be another strong year for your Company as a further 11 investments were sold or transferred and significant cash returns were made to Shareholders The Company has also benefited from an increase in share price and a further narrowing of its share price discount to NAV per share This continued positive performance confirms that the adoption of the Realisation Strategy was the correct course of action and that it continues to be executed well

Realisation Strategy

We made significant progress with the asset disposal programme during the year The 11 private equity investments which were transferred or sold comprised five unlisted fund interests and six listed holdings

The secondary market for private equity unlisted fund interests remained competitive during 2012 despite the volatile and uncertain macro-economic backdrop We continued to exploit these generally attractive market conditions by completing five unlisted fund transfers These were the Company's holdings in Pragma Capital II, Astorg IV, Fondinvest Capital VIII, Parallel Ventures 2006 and Century Capital Partners Fund IV In each case the Portfolio Manager conducted a competitive auction in an attempt to maximise investor interest in each individual holding

The five unlisted fund transfers produced cash proceeds of £17 2 million On a blended basis they were transferred at around their combined carrying value and the overall outcome compared satisfactorily with prevailing levels of secondary market pricing Importantly, the five transfers also released the Company from £5 0 million of undrawn commitments

The Company's six remaining listed investments were realised during the year for a total of £2 3 million, 3% below their combined valuation at the 31 December 2011 year end

In summary, therefore, cash disposal proceeds totalled £19 5 million during the year and were generated at values which met the Portfolio Manager's expectations

Portfolio Activity – Unlisted Fund Drawdowns and Distributions

There was a good level of distribution activity during the year as the Company's more mature funds in particular benefited from what was generally regarded as a seller's market for good quality European mid-market corporate assets Unlisted fund distributions totalled £29 0 million (2011 £10 0 million) The main highlight was a distribution of £18 5 million from Rutland Partners I following the sale of NoteMachine, the largest cash machine supplier in the UK August Equity Partners I also produced a significant distribution with £9 5 million being received by the Company following the successful exit of Lifeways, a market leading provider of supported living for people with complex needs These distributions represented a pleasing outcome as the Company was able to realise its two largest underlying investments at around their 31 December 2011 carrying value at which point they made up over 46% of the Total Portfolio It should also be noted that in December Rutland Fund I sold its last remaining investment, Advantage Healthcare, to a corporate buyer at an attractive price The Company received £7 9 million of proceeds from this sale after the year end on 31 January 2013

In contrast there was a limited level of drawdown activity Drawdowns were inevitably reduced by the transfer of five of the Company's seven unlisted fund investments during the year As a result, unlisted fund drawdowns from the Company during the year totalled only £1 2 million (2011 £6 0 million)

Portfolio Valuation

Despite the uncertain macro-economic environment, the Company's portfolio once again continued to perform creditably during the year At 31 December 2012 the value of the Company's Total Portfolio, including cash and cash equivalents, was £15 3 million, of which £12 5 million (82 0%) represented investments in two unlisted funds Following, however, the sale of Advantage Healthcare, which was completed in December 2012, it

Portfolio Manager's Review

continued

should be noted that the investment in Rutland Partners I was made up entirely of cash and other net current assets with the Company receiving a £7 9 million distribution in relation to Advantage Healthcare on 31 January 2013

At 31 December 2012 69% of the unlisted fund portfolio has been valued using audited reports and 31% using unaudited reports

Shareholders should note that the Realisation Strategy has contributed to the creation of increased asset concentration and, therefore, increased risk within the remaining private equity portfolio It is particularly noteworthy that the Company's portfolio is now represented by only two underlying companies, both held in August Equity Partners I, namely Boat International and Rollfold Holdings, both of which are targeted for sale over the next year

The value of Rollfold Holdings now constitutes more than 15% of total Company assets for the purposes of s1158 This means that the Company will currently make no additional investment in Rollfold Holdings through August Equity Partners I

Company Liquidity

The Company's liquidity position remained strong during the year

The Company disposed of 11 investments resulting in £19 5 million of disposal proceeds and the Company being released from £5 0 million of the £8 4 million of undrawn unlisted fund commitments that were outstanding at 31 December 2011 The Company experienced a net cash inflow from the activities of its unlisted fund holdings of £27 8 million In addition to the portfolio activity, the Company exerted its usual tight cost control to preserve cash for Shareholders

The combination of these items all contributed to the Company being in a position to return £46 3 million to Shareholders through the Second and Third Tender Offers In addition £1 2 million was returned to Shareholders by way of dividend required in order to maintain the Company's Investment Trust status

Even after these significant returns of cash to Shareholders, the Company's year end liquidity position was strong with liquid assets (being cash, cash equivalents and listed holdings) of £2 8 million (31 December 2011 £7 4 million) and unlisted fund undrawn commitments of only £2 7 million compared with £8 4 million a year previously It should be noted that the majority of these undrawn commitments relate to Rutland Fund I which exited its last investment in December 2012 Therefore Rutland Fund I is not expected to request further drawdowns

Summary and Prospects

The Company is now in the last stages of the Realisation Strategy which was adopted in September 2010 During this time the Company's share price has increased significantly, it has repaid and cancelled its bank facilities and has returned £60 0 million to Shareholders through capital returns and dividends This compares with the Company's market capitalisation of £24 4 million immediately prior to the Company's announcement that it intended to adopt the Realisation Strategy The Company and its Shareholders have to date therefore benefited greatly from the adoption of the Realisation Strategy

In view of the very advanced status of the Realisation Strategy, it is expected that the Company will enter into voluntary liquidation and a liquidator will be formally appointed by the end of the second quarter of 2013 A preferred liquidator has now been identified and is working with the Portfolio Manager to ensure a smooth transition towards voluntary liquidation Given the Company's strong liquidity position it is also expected that the liquidation proposals which will be put to Shareholders will include a substantial initial capital distribution by the liquidator which will be remitted to all Shareholders on the Company's share register around the time the liquidator is appointed

Any of the Company's assets which are still unrealised at the time of the liquidator's appointment will become the responsibility of the liquidator It is, however, currently intended that the Portfolio Manager will be retained by the liquidator to oversee any final realisations

Ian Barrass
Portfolio Manager
25 April 2013

Investment Review

The Company's investments at 31 December 2012 were

Investment	Category	Country/ Region	Vintage/ Investment date	Valuation at 31 December 2012 £'000	% of portfolio
Rutland Fund I	Unlisted Fund	UK	2000	8,583	56 2
August Equity Partners I	Unlisted Fund	UK	2001	3,929	25 8
Total Investments				**12,512**	**82 0**
Cash and cash equivalents				2,752	18 0
Total Portfolio				**15,264**	**100 0**

Unlisted Fund Managers

Rutland Partners

Rutland Partners ("Rutland"), founded in 1986, invests in UK 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 It invests between £10 million and £50 million of equity per investment into UK companies valued at between £20 million and £200 million

www rutlandpartners com

August Equity Partners

August Equity Partners provides equity capital for management buy-outs, buy-ins, development capital and replacement capital in growing businesses It invests between £10 million and £25 million of equity in UK companies in the healthcare, media and technology, industrial products and services and business services sectors

www augustequity com

Underlying Investments of August Equity Partners I

Boat International

Valuation	£0 6 million
Percentage of Total Portfolio	3 9%

Boat International is an international publisher of market leading magazines and websites and an events organiser targeted at the super yacht community

www boatinternational com

Rollfold Holdings ("Rixonway")

Valuation	£3 5 million
Percentage of Total Portfolio	22 9%

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

Directors

J D Mackie CBE (Chairman), John 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 senior independent director of Mithras Investment Trust plc and a director of Baronsmead VCT plc

T M Connor (Senior Independent Director), Terry joined 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 He was previously an independent member of Hertfordshire Police Authority and a non-executive director of the FSCS and the Legal Services Board He is a trustee of the Africa Educational Trust

B M Dean, Barry joined the Board on 19 May 2000 He is a chartered accountant and was formerly managing director of Dresdner Kleinwort Benson Private Equity Limited He is 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 Investments Limited and a member of the investment committee of Beamreach Capital LLP

I J Orrock, Ian joined 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 28 years' finance experience encompassing private equity investment and portfolio management, leveraged senior debt lending, corporate restructuring and small business ownership Ian manages Henderson Equity Partners' private equity fund of funds portfolios and co-manages the Henderson Value Trust plc 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 2012

BUSINESS REVIEW

The Business Review is designed to provide information primarily about the Company's business and results for the year ended 31 December 2012 The Business Review should be read in conjunction with the Chairman's Statement on pages 2 to 4 and the Portfolio Manager's Review on pages 5 and 6, which provide a review of the year and an outlook for the business

i) Status

The Company is incorporated in England and Wales under registration number 159836, and is domiciled in the United Kingdom The Company was active throughout the year and was not dormant It is an investment company as defined in section 833 of the Companies Act 2006 and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010 HM Revenue & Customs approval of the Company's status as an investment trust has been received in respect of the year ended 31 December 2011, although approval for that year is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment The Company intends to continue to operate and conduct its affairs to enable it to achieve Investment Trust status up to the time of entering into members' voluntary liquidation

The Company is listed on the London Stock Exchange and is not a close company It conducts its affairs in accordance with the Listing, Disclosure and Transparency Rules of the Financial Conduct Authority

The Company intends to continue to manage its affairs so that its investments fully qualify for the stocks and shares component of an ISA

ii) Investment objective and policy

The Company's investment objective, which was amended and approved by Shareholders on 27 September 2010, is 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 will not make any new investments save that investments may be made to honour commitments to funds under existing contractual arrangements, and 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 35% 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 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 and the status of the portfolio realisations to date is set out in the Chairman's Statement and the Portfolio Manager's Review

iii) Financial review

	31 December 2012	31 December 2011	Change
Net Assets	**14 2m**	£62 5m	(77 3)%
Net Asset Value per Ordinary share	**400 1p**	402 0p	(0 5)%
Share price	**364 5p**	319 0p	14 3%
Discount	**8 9%**	20 6%	–
FTSE All-Share Index	**3,093 4**	2,857 9	8 2%
LPX Indirect Index (Sterling adjusted)	**49.1**	39 7	23 7%
LPX Europe Index (Sterling adjusted)	**321 0**	257 6	24 6%

- Assets

Net assets at 31 December 2012 were £14,158,000 compared with £62,513,000 at 31 December 2011 In the year under review the net asset value per Ordinary share reduced by 0 5% from 402 0p to 400 1p

- On-going charges (Expenses)

On-going charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments On-going charges are based on actual costs incurred in the year as being the best estimate of future costs The Board reviews the on-going charges and monitors the expenses incurred by the Company

Report of the Directors

continued

- 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 traded on a European exchange most comparable to the Company, prior to the adoption of the Realisation Strategy, and is therefore used by the Board and Portfolio Manager as a reference for performance comparison purposes

- On-Going Charges

The On-going Charges are a measure of the total expenses incurred by the Company These are 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 Before performance fees and borrowing costs, the On-going Charges amounted to 1 9% (2011 1 5%) A performance fee of £1 9 million was accrued during the year (2011 nil) of which £1,077,728 has already been paid The On-going Charges including the performance fee, were 5 4% (2011 1 5%) The Board regularly monitors all Company expenses to ensure they are managed effectively In line with the realisation of the portfolio the Board and its advisers continue to reduce costs wherever possible

- Risk Measures

In the ordinary course of business and particularly in line with the Realisation Strategy of the Company the Board takes into account the degree of risk that the Portfolio Manager incurs in seeking to achieve the maximum sale value and potential capital return for Shareholders The portfolio is considered in detail at every Board meeting and each asset sale or transfer is discussed The Portfolio Manager takes into account, *inter alia*, secondary market movements and demand as well as market and economic risk factors

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") With the exception of the relationship between the Company and its Directors, the provision of services by Henderson is the only related party arrangement currently in place Other than fees paid in the ordinary course of business there have been no transactions with related parties which materially affected the financial position or performance of the Company during the year under review

Global custody services are provided by BNP Paribas Securities Services Prior to this, services were provided by HSBC Bank Plc

As detailed within the substantial share interests on page 17 funds managed by Henderson have interests in 18 9% of the issued share capital of the Company

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

- The Base Management Fee

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

With effect from 1 October 2010, and to reflect the revised investment objective of the Company, the Manager receives a fixed monthly fee, net of VAT and payable quarterly in arrears

In February, August and November 2012 the fixed monthly fee was reviewed taking into account the Manager's workload and the status of the realisation of the portfolio at that time The following rates have been paid or agreed

Period	Monthly fee rate
1 October 2010 – 31 March 2011	£70,000
1 April 2011 – 31 December 2012	£50,000
1 January 2013 – 31 March 2013	£30,000
1 April 2013 – 30 June 2013	£22,500

- The Performance Fee

In addition to the management fee the Manager is entitled to receive a performance fee of 10 0% 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 was £41,470,466 and 8 0% per annum respectively At 31 December 2012 the cash hurdle was £49,308,237 compared with £59,950,916 which had been returned to Shareholders at that point by way of the three tender offers and dividends

The Company previously applied a Total Expense Ratio, under the recommendation of the Association of Investment Companies ("AIC") the terminology and methodology has been changed to ensure consistency of approach and calculation across the investment company sector and UCITS funds

Total expenses for the year amounted to £2,928,000 (2011 £1,251,000) In the year under review the investment management fee was £600,000 (2011 £660,000) A performance fee of £1,900,000 was accrued during the year to 31 December 2012 (2011 £nil) based on the level of actual and expected future Shareholder distributions, with £1,077,728 already having been paid (2011 £nil), leaving a provision of £822,272 at the year end (2011 £nil) Further details on the Company's expenses may be found in notes 3 and 4 on pages 29 and 30

- Return on ordinary activities before taxation

The Company's revenue return on ordinary activities before taxation was a profit of £68,000 (2011 profit of £1,473,000)

- Dividends

In the ordinary course of business 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 0% 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 2011, a dividend of 7 4p per share was declared on 19 July 2012 in relation to the year ended 31 December 2011, and was paid to Shareholders on 17 August 2012, the ex-dividend date was 25 July 2012 No further dividends were proposed for the year ended 31 December 2011

A dividend of £79,609 (2 25p per share) will be paid on 31 May 2013 in relation to the year ended 31 December 2012, payable to Shareholders on the register of members on 10 May 2013, shares will go ex-dividend on 8 May 2013

- Funding

The primary source of the Company's funding is Shareholders' Funds The Company did not have a bank facility in place in the year under review

- 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 nil (2011 nil)

- Payment of suppliers

The Company seeks to obtain the best possible terms for all business services and, therefore, there is no single payment of supplier policy The Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms There were no trade creditors at 31 December 2012 (2011 nil)

- Future developments

The Company is undertaking a realisation of the investment portfolio with a view to returning capital to Shareholders Comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on pages 2 to 4 and the Portfolio Manager's Review on pages 5 and 6

- Going Concern

Whilst the Directors believe that having considered the level of the Company's assets, its available liquidity and the likelihood and the timescales over which investments may be realised and outstanding commitments may be drawn down, the Company has adequate resources to continue to operate for the foreseeable future The Directors intend to propose a members' voluntary liquidation of the Company in the second quarter of 2013 In accordance with note 1(i) on page 26, due to the Realisation Strategy adopted by the Company in September 2010 the financial statements are not prepared on the going concern basis In reviewing this position the Board has considered advice from the Auditor and the guidance issued by the Financial Reporting Council in October 2009

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 the Manager, the Directors take into account the following key performance indicators

- 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 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

Report of the Directors

continued

A performance fee of £1,900,000 was accrued during the year to 31 December 2012 (2011 £nil) based on the level of actual and expected future Shareholder distributions, with £1,077,728 already having been paid (2011 £nil), leaving a provision of £822,272 at the year end (2011 £nil)

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, where appropriate, 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 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 unlisted funds 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

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 An analysis of the portfolio may be found on page 7 Further information on how the Company manages risk may be found in the Internal Controls section on page 16 and in note 18 on pages 37 to 44

- Valuation and realisation uncertainty

In valuing its investments in unlisted private equity funds 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 Unlisted funds typically provide updated (unaudited) valuations on a quarterly or half-yearly basis and annual audited valuations 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

Finally, 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 The Portfolio Manager also prepares monthly schedules of investment limits and restrictions which detail both the regulatory compliance factors and the management and investment limits set by the Board from time to time

- 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 on-going basis The Board has undertaken a regular review of the management arrangements in light of the Realisation Strategy The Board formally approved the continuing appointment of the Manager on the current agreed terms at the Board meeting held in November 2012

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 controls, are explained further in the Internal Controls section on pages 16 and 17

viii) Environmental, employee, 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

ix) Corporate responsibility – Responsible Investment (SEE Statement)

Responsible Investment is the term used by the Company's Manager to cover its work on corporate governance and corporate responsibility (or social, environmental and ethical issues) in the companies in which it invests on its clients' behalf, across all funds In May 2005 Henderson became a founding signatory to the United Nations Principles for Responsible Investment The Principles, developed under the auspices of the UN Secretary-General, are a voluntary and aspirational framework for incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices The way companies respond to sustainability and corporate responsibility can affect their business performance, both directly and indirectly An investee company's policy on social responsibility and the environment is therefore considered as part of the investment risk decision, however, an investment may not necessarily be ruled-out for social and environmental reasons only

x) Donations

No donations were made for either charitable or political purposes during the year (2011 nil)

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 UK Corporate Governance Code ("the Code") published in June 2010 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 Code are directly applicable to the Company The Code can be viewed at www frc org uk

- Compliance with the Code

Throughout the year ended 31 December 2012 the Company, where applicable, complied with the provisions of the Code The Board attaches importance to the matters set out in the Code and seeks to observe its principles

The Code is made up of five sections covering Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders Each section comprises main and supporting Principles, the application of which is set out below

LEADERSHIP AND EFFECTIVENESS

- Board Composition and Independence

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 regarding 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 Directors, whose biographies and dates of appointment are given on page 8, and all of whom are wholly independent

Report of the Directors
continued

of the Manager and non-executive, served throughout the year

The Board is chaired by Mr J D Mackie and Mr T M Connor is the Senior Independent Director and Chairman of the Audit Committee

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

All matters of a strategic and operational nature are discussed collectively with advice and assistance being provided by the Manager and other service providers where appropriate The Board seeks to maintain a good balance of skills and experience appropriate to the Company's objectives and operations The background of each Director demonstrates a broad range of professional and commercial expertise which serves to promote balanced and varied discussions

The Articles of Association provide that the total number of Directors shall be not less than two and no more than ten 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

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 and the Directors have no conflicts or links with the Manager or otherwise which would cause them to be judged as non-independent

- 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 his appointment Every Director shall retire at least every three years in compliance with the Articles of Association and the 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 Due to the adoption of the Realisation Strategy the Board has agreed that, subject to unforeseen requirements, no new directors will be appointed to the Board for the remainder of the Company's life

- Directors' Professional Development

Directors appointed to the Board are provided with an introductory programme covering the Company's strategic policies and operations, including those outsourced to third parties Thereafter, the Directors are given, on a regular and on-going 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, which is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with The Directors are encouraged to attend seminars, conferences and courses, if necessary at the Company's expense, and to participate generally in industry events Changes affecting Directors' responsibilities are advised to the Board as they arise

- Board Attendance

Attendance at the Board and Committee meetings held during the financial year is shown below, all the Directors have ensured their availability to the Company whenever required Board Committees are ordinarily composed of any two Directors

	Board		Board Committee		Audit Committee	
	2012	2011	2012	2011	2012	2011
No of Meetings	**9**	**5**	**4**	**8**	**3**	**3**
J D Mackie (Chairman)	9	5	3	8	3	3
T M Connor	8	4	4	6	3	3
B M Dean	9	4	2	4	3	3
I J Orrock	8	4	2	4	3	3

All Directors were present at the Annual General Meeting held in June 2012 and the General Meetings held in September and December 2012

- Directors' and Officers Liability Insurance

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 2012 and 2013 financial years

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 2011 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, the 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

- Performance Evaluation

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 of the Board and requirement for all Directors to remain in office will be considered on a regular basis The Board has concluded that each Director continues to provide skills, experience and expertise to the Company which are proving valuable during the execution of the Realisation Strategy, and that each should continue in office for the immediate future

Board Committees

- Audit Committee

The Board has established an Audit Committee which is chaired by Mr T M Connor and due to the small size of the Board currently consists of all 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 Auditor reports to the Board The main work and responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and 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 Auditor, KPMG Audit Plc, and the objectivity and effectiveness of the audit process

Details of the amounts paid to the external Auditor during the year under review, for audit and other services are set out in note 4 on page 30 Having reviewed the services and level of input by KPMG Audit Plc, and the reporting required of them, the Board is satisfied that KPMG Audit Plc remain independent

- Non-Audit Services by the Auditor

In addition to auditing the annual financial statements, KPMG Audit Plc may be engaged by the Board, under separate terms of engagement, to review the half-year end financial statements, to provide tax services and iXBRL services During the year to 31 December 2012 a review of the half-year financial statements was not required, however, tax and iXBRL services were both provided The Board confirms that, on review of the provision of non-audit services by KPMG Audit Plc, the Auditor remains independent

Report of the Directors

continued

- Nominations Committee and Management Engagement Committee

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

The Nominations Committee 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, Mr T M Connor

The Management Engagement Committee is responsible for evaluating the service 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

The Board deemed it unnecessary to hold either a Nominations or Management Engagement Committee during the year under review as the duties were carried out by the full Board in line with a continuous review of the Realisation Strategy

INDEPENDENT AUDITOR

KPMG Audit Plc has indicated its willingness to continue in office Accordingly, resolutions to re-appoint KPMG Audit Plc as Auditor to the Company, and to authorise the Directors to determine their remuneration, to the extent any future external audit is required, will be proposed at the AGM

ACCOUNTABILITY AND 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 safeguarded, 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 Matrix 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 20, the report of the Auditor is set out on page 21 and the statement of Going Concern is on page 10

- Bribery Act

The Board has reviewed the implications of the Bribery Act 2010, which came into force on 1 July 2011 The Board believes that the likelihood of bribery activities affecting the business are very low Notwithstanding that, it has confirmed its zero tolerance to bribery and corruption in its business activities It has sought assurance from the Manager and its main suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents

- 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

Report of the Directors

continued

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 In the opinion of the Directors the continued management of the Company by Henderson Global Investors Limited is in the best interests of Shareholders as a whole

REMUNERATION

- Directors' Remuneration

The Board consists of non-executive Directors and accordingly the Company is not required to comply with the principles of the 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 page 19

- 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 2012	1 January 2012
Beneficial		
J D Mackie (Chairman)	**3,094**	13,050
T M Connor	**1,055**	2,000
B M Dean	**751**	3,300
I J Orrock	**577**	4,081

The reduction in the shares held is a result of participation in the Second and Third Tender Offers of the Company

There have been no changes in the Directors' interests in the period from 31 December 2012 to the date of this Annual Report

SHARE CAPITAL AND SHAREHOLDERS

- Share Capital

The Company's share capital comprises 3,538,185 (2011 15,551,506) Ordinary shares of 5p each, all of which are fully paid The Company did not hold any shares in treasury at the year end (2011 nil) The Company purchased for cancellation 4,665,336 Ordinary shares of 5p each as part of the Second Tender Offer to Shareholders completed on 10 September 2012 In addition, 7,347,985 Ordinary shares were purchased for cancellation on 18 December 2012 as part of the Third Tender Offer to Shareholders

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 3,538,185 voting rights at 31 December 2012 (2011 15,551,506)

- Interests in the Company's Share Capital

As at 25 April 2013 the following had declared a notifiable interest in the Company's issued share capital

	% of issued share capital
Henderson Global Investors Limited	18 9%
QVT Financial L P	*5 6%
East Riding Pension Fund	4 0%
Brompton Asset Management Limited	3 8%
Oxfordshire County Council Pension Fund	3 8%

*Includes a contract for difference held via Deutsche Bank

The above interests represent no significant change since the year end

RELATIONS WITH SHAREHOLDERS

The Board and the 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 ordinarily sent to Shareholders at least 20 business days prior to the AGM For administrative and cost reasons the Annual Report is being sent in line with the statutory notice period of 21 clear days prior to the AGM 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 www hendersonprivateequity com

All Shareholders have the opportunity to attend and vote at the AGM At the AGM Shareholders will have the opportunity to address questions to the Chairman, the other Board members and the Manager

Report of the Directors
continued

- Voting policy

Henderson's Responsible Investment Policy sets out the approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients, and its policy on proxy voting The Policy also sets out how Henderson implements the Stewardship Code The Company has delegated responsibility for voting to the Manager The Board will receive a report, at least annually, on the voting undertaken by the Manager on behalf of the Company The Board and the Manager believe that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance Voting recommendations are guided by the best interests of the investee companies' shareholders, and are generally determined by the Portfolio Manager Decisions not to support resolutions and the rationale may be fed back to the investee company prior to voting The Henderson Responsible Investment Policy can be found on the Henderson website, www henderson com

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, 27 June 2013 at 11 00 am The Notice of Meeting accompanies this Annual Report

Special business to be proposed

- Notice of General Meetings

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increased 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

A resolution shall be proposed at the AGM to seek such approval The approval will be effective until the Company's next annual general meeting 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 item of special business is in the best interests of Shareholders as a whole Accordingly, the Board unanimously recommends to Shareholders that they vote in favour of all resolutions to be proposed at the forthcoming AGM as they intend to do so themselves

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 8 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 Auditor is 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 Auditor is aware of that information

By order of the Board

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

25 April 2013

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 Conduct 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 Auditor's opinion is included within the Independent Auditor's Report on page 21

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 2012, 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 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 During the year under review each Director received an additional payment equivalent to 50% of their annual remuneration to reflect the considerable additional time spent on Company matters during the Realisation Strategy

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 2012 and the year ended 31 December 2011 were as follows

	31 December 2012	31 December 2011
J D Mackie (Chairman)	**£37,500**	£25,000
T M Connor (Senior Independent Director)	**£31,500**	£21,000
B M Dean	**£27,000**	£18,000
I J Orrock*	**£27,000**	£18,000
Total	**£123,000**	£82,000

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

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 2007

31 December 2007 to 31 December 2012 (rebased to 100 at 31 December 2007)
Source Morningstar

For and on behalf of the Board of Directors

John Mackie CBE
Chairman
25 April 2013

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 judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 As explained in the Statement of Accounting Policies, to the financial statements, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

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 each confirm that to the best of their knowledge that

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

For and on behalf of the Board of Directors

John Mackie CBE
Chairman

25 April 2013

The financial statements are published on websites maintained by the Company's Manager The maintenance and integrity of these websites are the responsibility of Henderson, the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

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 2012 set out on pages 22 to 45 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 to the financial statements

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 auditor's 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 20, 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)

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2012 and of its loss 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, or
- a Corporate Governance Statement has not been prepared by the Company

Under the Listing Rules we are required to review

- the directors' statement, set out on page 10, in relation to going concern,
- the part of the Corporate Governance Statement on page 13 relating to the Company's compliance with the nine provisions of the June 2010 UK Corporate Governance Code for our review, and
- 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
Edinburgh
25 April 2013

Reconciliation of Movement in Shareholders' Funds

for the year ended 31 December 2012

Notes	**Year ended 31 December 2012**	**Called-up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Capital reserves £'000**	**Revenue reserve £'000**	**Share-holders' funds £'000**
	Balance at 1 January 2012	**778**	**17,321**	**911**	**41,582**	**1,921**	**62,513**
8	Net return from ordinary activities	**–**	**–**	**–**	**(494)**	**71**	**(423)**
7	Dividends paid	**–**	**–**	**–**	**–**	**(1,151)**	**(1,151)**
	Tender offer of own shares	**(601)**	**–**	**601**	**(46,781)**	**–**	**(46,781)**
	Share premium cancelled	**–**	**(17,321)**	**–**	**17,321**	**–**	**–**
	Balance at 31 December 2012	**177**	**–**	**1,512**	**11,628**	**841**	**14,158**

Notes	**Year ended 31 December 2011**	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Share-holders funds £'000
	Balance at 1 January 2011	984	17,321	705	42,770	499	62,279
8	Net return from ordinary activities	–	–	–	11,379	1,473	12,852
7	Dividends paid	–	–	–	–	(51)	(51)
	Tender offer of own shares	(164)	–	164	(12,567)	–	(12,567)
	Treasury shares cancelled	(42)	–	42	–	–	–
	Balance at 31 December 2011	778	17,321	911	41,582	1,921	62,513

The notes on pages 26 to 45 form an integral part of these financial statements

Income Statement

for the year ended 31 December 2012

Notes		Year ended 31 December 2012 Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 December 2011 Revenue return £ 000	Capital return £ 000	Total £ 000
9c	Gains on investments held at fair value through profit or loss	–	**1,492**	**1,492**	–	11,433	11,433
	Losses on foreign exchange	–	**(66)**	**(66)**	–	(54)	(54)
2	Income	**1,076**	–	**1,076**	2,847	–	2,847
3	Investment management fee	**(600)**	–	**(600)**	(660)	–	(660)
3	Performance fee	–	**(1,900)**	**(1,900)**	–	–	–
4	Administrative expenses	**(408)**	**(20)**	**(428)**	(591)	–	(591)
	Return on ordinary activities before finance costs and taxation	**68**	**(494)**	**(426)**	1,596	11,379	12,975
5	Interest payable and similar charges	–	–	–	(123)	–	(123)
	Return on ordinary activities before taxation	**68**	**(494)**	**(426)**	1,473	11,379	12,852
6	Taxation	**3**	–	**3**	–	–	–
	Return on ordinary activities after finance costs and taxation	**71**	**(494)**	**(423)**	1,473	11,379	12,852
8	**Return per Ordinary share**	**0 5p**	**(3 5)p**	**(3 0)p**	7 9p	60 8p	68 7p
	Number of Ordinary shares in issue at year end			**3,538,185**			15,551,506
	Average number of Ordinary shares in issue during the year			**13,974,085**			18,696,574

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

The notes on pages 26 to 45 form an integral part of these financial statements

Balance Sheet

at 31 December 2012

Notes		2012 £'000	2011 £'000
	Fixed assets		
9	Investments held at fair value through profit or loss	**12,512**	57,443
	Current assets		
11	Debtors	**5**	337
11,18	Cash and cash equivalents	**2,752**	5,051
		2,757	5,388
	Current liabilities		
12	Creditors – amounts falling due within one year	**(1,111)**	(318)
	Net current assets	**1,646**	5,070
	Net assets	**14,158**	62,513
	Capital and reserves		
13	Called-up share capital	**177**	778
14	Share premium	**–**	17,321
14	Capital redemption reserve	**1,512**	911
14	Capital reserve	**11,628**	41,582
14	Revenue reserve	**841**	1,921
	Equity Shareholders' Funds	**14,158**	62,513
15	**Net asset value per Ordinary share**	**400 1p**	402 0p

Approved and authorised for issue by the Board of Directors on 25 April 2013 and signed on its behalf by

John Mackie CBE
Chairman

The notes on pages 26 to 45 form an integral part of these financial statements

Cash Flow Statement

for the year ended 31 December 2012

Note		2012 £'000	2012 £'000	2011 £'000	2011 £'000
16	**Net cash (outflow)/inflow from operating activities**		**(1,043)**		1,367
	Servicing of finance				
	Bank interest paid	**-**		(170)	
			-		(170)
	Taxation				
	Tax refunded	**3**		9	
			3		9
	Financial Investment				
	Purchase of unlisted fixed asset investments	**(1,135)**		(6,018)	
	Sale of listed fixed asset investments	**2,306**		2,444	
	Sale of unlisted fixed asset investments	**45,578**		35,596	
	Net cash inflow from financial investments		**46,749**		32,022
	Equity dividends paid		**(1,151)**		(51)
	Management of liquid resources				
	Purchase of AAA rated money market funds	**(40,244)**		(15,801)	
	Sale of AAA rated money market funds	**41,400**		12,050	
	Net cash inflow/(outflow) from management of liquid resources		**1,156**		(3,751)
	Net cash inflow before financing		**45,714**		29,426
	Financing				
	Bank loan repaid	**-**		(15,651)	
	Tender offer of own shares (including expenses)	**(46,791)**		(12,558)	
			(46,791)		(28,209)
	(Decrease)/increase in cash		**(1,077)**		1,217
	Reconciliation of net cash flow to movement in net funds				
	(Decrease)/increase in cash (as above)		**(1,077)**		1,217
	Net funds at start of the year		**5,051**		137
	Losses on foreign exchange		**(66)**		(54)
	Net change in liquid resources		**(1,156)**		3,751
	Net funds at end of the year		**2,752**		5,051

The notes on pages 26 to 45 form an integral part of these financial statements

Notes to the Financial Statements

Statement of Accounting Policies

at 31 December 2012

1 Accounting Policies

The principal accounting policies have been applied consistently throughout the year ended 31 December 2012, are unchanged from 2011 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 liquidate the Company, as outlined in the Realisation Strategy agreed by Shareholders on 27 September 2010 The current expectation is that the process is likely to complete during 2013 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 paragraph (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 £nil (2011 £3 1 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 Sections 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

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice

(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'

Notes to the Financial Statements continued
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 Valuation Guidelines ('IPEV 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 reviews and challenges 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 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 are not regarded as associated undertakings or joint ventures

The Company's direct investments in portfolio companies and indirect investments through its participation in unlisted funds 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 (i e as prices) or indirectly (i e derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data

(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

Notes to the Financial Statements continued
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 derecognised 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 and cash equivalents comprises current accounts, demand deposits and AAA rated money market funds 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 translated 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

continued

2	Income	2012 £'000	2011 £'000
	Income from fixed asset investments		
	Franked income		
	Dividends from listed UK investments	**1**	11
		1	11
	Unfranked income		
	Dividends from listed overseas investments	**–**	12
	Distributions from UK unlisted investments	**966**	2,710
	Listed UK loan stock investments	**5**	62
	Listed UK interest distribution	**–**	3
		971	2,787
	Total income from fixed asset investments	**972**	2,798
	Other income		
	Deposit interest	**12**	12
	AAA rated money market fund interest	**92**	11
	Miscellaneous income	**–**	26
		104	49
	Total income	**1,076**	2,847
	Income from fixed asset investments		
	Listed	**6**	88
	Unlisted	**966**	2,710
		972	2,798

3	Investment Management Fee	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
	Investment management fee	**600**	**–**	**600**	660	–	660
	Performance fee	**–**	**1,900**	**1,900**	–	–	–
	Total	**600**	**1,900**	**2,500**	660	–	660

From 1 October 2010, the management fee was fixed at a monthly fee of £70,000 (net of VAT) per month for the first six months reducing to £50,000 (net of VAT) per month thereafter For the year under review therefore the Company paid £50,000 each month (net of VAT)

From 1 October 2010, the hurdle for the achievement of any performance fee was a cash amount which must be returned to Shareholders before a performance fee could be earned The opening cash hurdle was £41,470,466, increasing at 8% (compound) per annum At 31 December 2012 the cash hurdle was £49,308,237 compared with £59,950,916 which had been returned to Shareholders at that point by way of cash return and dividends

Notes to the Financial Statements

continued

3 Investment Management Fee continued

A performance fee of £1,900,000 was accrued during the year to 31 December 2012 (2011 £nil) based on the level of actual and expected future Shareholder distributions, with £1,077,728 already having been paid (2011 £nil), leaving a provision of £822,272 at the year end (2011 £nil)

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

4 Administrative Expenses	**2012 £'000**	2011 £'000
Directors' emoluments	**150**	86
Auditor's remuneration for audit services	**20**	40
Auditor's remuneration for non-audit services – taxation	**30**	24
Professional fees	**112**	100
Bank charges and non-utilisation fees	**–**	223
Other expenses	**116**	118
	428	591

The Directors' emoluments of £150,000 includes an additional amount of £64,000 payable to Directors during the year due mainly to the increased number of Board meetings in 2012

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

5 Interest Payable	**2012 £'000**	2011 £ 000
Interest on bank borrowings	**–**	123

6 Taxation	**2012 Revenue £'000**	**2012 Capital £'000**	**2012 Total £'000**	2011 Revenue £'000	2011 Capital £ 000	2011 Total £ 000
(a) Analysis of tax charge for the year						
UK corporation tax at 24 5% (2011 26 5%)	**–**	**–**	**–**	–	–	–
Adjustment in respect of prior years	**(3)**	**–**	**(3)**	–	–	–
Total tax credit for the year (note 6b)	**(3)**	**–**	**(3)**	–	–	–

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 24 5% (2011 26 5%) The differences are explained below

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £ 000	2011 Capital £ 000	2011 Total £'000
Return on ordinary activities before taxation	**68**	**(494)**	**(426)**	1,473	11,379	12,852
Tax thereon at 24 5% (2011 26 5%)	**17**	**(121)**	**(104)**	390	3,016	3,406
Tax on undistributed income of unlisted funds	**305**	**–**	**305**	344	–	344
Non taxable UK dividend income	**(237)**	**–**	**(237)**	(175)	–	(175)
Non taxable foreign dividend income	**–**	**–**	**–**	(3)	–	(3)
Non taxable capital gains	**–**	**(349)**	**(349)**	–	(3,016)	(3,016)
Expenses not utilised for tax purposes	**–**	**470**	**470**	–	–	–
Utilisation of excess management expenses	**(85)**	**–**	**(85)**	(556)	–	(556)
Prior year adjustment	**(3)**	**–**	**(3)**	–	–	–
Current tax credit	**(3)**	**–**	**(3)**	–	–	–

At the balance sheet date, the Company had unutilised excess management expenses of £3 7 million (2011 £2 9 million)

No deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available

7 Dividends on Ordinary shares

A dividend of £1,150,800 (7 4p per share) was declared and paid during the year in respect of the 2011 year end in order to comply with Section 1158 of the Corporation Tax Act 2010

A dividend of £79,609 (2 25p per share) will be paid on 31 May 2013 in respect of the year ended 31 December 2012 The dividend will be paid to Shareholders on the register of members on 10 May 2013, shares will go ex-dividend on 8 May 2013

8 Return per Ordinary share

	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £ 000	2011 Total £'000
Attributable to Ordinary shareholders	**71**	**(494)**	**(423)**	1,473	11,379	12,852
Return per Ordinary share	**0 5p**	**(3 5)p**	**(3.0)p**	7 9p	60 8p	68 7p

The return per Ordinary share is based on the weighted average number of 13,974,085 Ordinary shares in issue (2011 18,696,574)

Notes to the Financial Statements

continued

9	**Investments held at fair value through profit or loss**	**2012 £'000**	2011 £'000
	(a) Analysis of investments		
	Listed at market valuation	–	2,375
	Unlisted at Directors' valuation	**12,512**	55,068
	Valuation of investments at 31 December	**12,512**	57,443

	Total £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Classification under fair value hierarchy:				
Investments in unlisted funds	**12,512**	**–**	**–**	**12,512**
	12,512	**–**	**–**	**12,512**

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) and 1(v) on pages 26 and 27

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)

	2012 £'000	2011 £'000
(b) Movements on investments		
Opening valuation	**57,443**	78,357
Opening fair value adjustment	**(8,820)**	(602)
Opening book cost	**48,623**	77,755
Acquisitions at cost	**1,135**	6,018
Disposals at cost (sales and capital distributions)	**(41,193)**	(35,150)
Closing book cost	**8,565**	48,623
Closing fair value adjustment	**3,947**	8,820
Closing valuation	**12,512**	57,443

Notes to the Financial Statements

continued

9 **Investments held at fair value through profit or loss** continued

	2012 £'000	2011 £ 000
(c) Gains/(losses) on investments held at fair value through profit or loss		
Realised gains/(losses):		
Listed investments based on book cost	**(1,494)**	(362)
Unlisted investments based on book cost	**7,859**	3,577
	6,365	3,215
Reversal of unrealised (gains)/losses recognised in earlier years	**(3,910)**	767
Gains based on carrying value at previous balance sheet date	**2,455**	3,982
Investment holding gains/(losses)		
Listed investments	**–**	(197)
Unlisted investments	**(963)**	7,648
	(963)	7,451
Gains on investments held at fair value	**1,492**	11,433

The direct transaction costs associated with the purchase of listed investments during 2012 were £nil (2011 £nil) and for unlisted investments £nil (2011 £nil)

The direct transaction costs associated with the realisation of listed investments during 2012 were £2,000 (2011 £3,000) and for unlisted investments £38,000 (2011 £nil)

	Total £'000	**Investments in Unlisted Funds £'000**	**Fixed Interest £'000**
(d) Level 3 investments at fair value through profit or loss			
Valuation at 31 December 2010	73,672	71,172	2,500
Acquisitions	6,018	6,018	–
Disposal proceeds (sales and capital distributions)	(35,922)	(33,422)	(2,500)
Total gains included in the Income Statement			
– on assets sold	3,652	10,928	–
– on assets held at the year end	7,648	372	–
Valuation at 31 December 2011	**55,068**	**55,068**	**–**
Acquisitions	1,135	1,135	–
Disposal proceeds (sales and capital distributions)	(45,253)	(45,253)	–
Total gains included in the Income Statement			
– on assets sold	2,525	2,525	–
– on assets held at the year end	(963)	(963)	–
Valuation at 31 December 2012	**12,512**	**12,512**	**–**

Notes to the Financial Statements

continued

9 Investments held at fair value through profit or loss continued

(e) Significant holdings in investments

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 2012, the Company held directly or indirectly 3 0% 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
Boat International Media Limited (August Equity Partners I)	15 4%
Rollfold Holdings Limited (August Equity Partners I)	11 5%

(ii) During the year under review the following significant write-ups/(write-downs) of unquoted investments expressed as a percentage of last year's carrying value were made

August Equity Partners I	21 1%
Fondinvest Capital VIII	(12 2)%

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

Investment	Carrying value of disposal at 31 December 2011 £'000	Book cost of disposal £ 000	Proceeds £ 000
Rutland Fund I (part disposal)	16,320	14,529	17,578
August Equity Partners I (part disposal)	7,189	–	9,453
Parallel Ventures 2006	5,998	8,807	5,722
Astorg IV	5,185	4,591	4,989
Pragma Capital II	2,782	4,372	2,780

Notes to the Financial Statements
continued

10	**Commitments**	**2012 £'000**	2011 £'000
	The level of outstanding commitments at the year end was		
	Rutland Fund I	**2,315**	2,839
	August Equity Partners I	**397**	348
	Fondinvest Capital VIII	**–**	2,323
	Pragma Capital II	**–**	1,395
	Parallel Ventures 2006	**–**	817
	Century Capital Partners Fund IV	**–**	422
	Astorg IV	**–**	295
	Outstanding commitments	**2,712**	8,439

It should be noted that these funds are unlikely to have remaining commitments fully called as they are past their initial five-year investment periods and also because a portion of commitments is often held-back as a contingency Overall, therefore, it is anticipated that drawdowns of outstanding commitments at 31 December 2012 are likely to total approximately £0 2 million prior to the Company entering its planned liquidation process

11	**Current Assets**	**2012 £'000**	2011 £ 000
	Amounts receivable within one year		
	Accrued income	**–**	4
	Tax recoverable	**1**	2
	Distribution from investment	**–**	325
	Other debtors	**4**	6
		5	337
	Cash and cash equivalents		
	Short term deposits	**–**	3
	Current accounts	**157**	1,297
	AAA rated money market funds	**2,595**	3,751
		2,752	5,051

Notes to the Financial Statements
continued

12	**Current Liabilities**	**2012 £'000**	2011 £ 000
	Creditors amounts falling due within one year		
	Performance fee provision	**822**	–
	Accruals	**289**	318
		1,111	318

13	**Share Capital**	**2012 £'000**	2011 £ 000
	Authorised		
	40,000,000 Ordinary shares of 5p each	**2,000**	2,000
	Issued and fully paid		
	3,538,185 (2011 15,551,506) Ordinary shares of 5p in issue	**177**	778
		177	778

During the 12 months to 31 December 2012, as a result of the Second and Third Tender Offers to Shareholders, 12,013,321 Ordinary shares were repurchased and cancelled at a cost of £46,781,000 (including stamp duty and expenses)

14	**Reserves**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Capital reserves* £'000**	**Revenue reserve £'000**
	Balance brought forward	17,321	911	41,582	1,921
	Gains on disposal of investments	–	–	2,455	–
	Net change in investment holding gains	–	–	(963)	–
	Realised exchange losses on currency balances	–	–	(66)	–
	Tender offer of own shares	–	601	(46,781)	–
	Share premium cancelled	(17,321)	–	17,321	–
	Performance fee	–	–	(1,900)	–
	Net revenue for the year	–	–	(20)	71
	Dividends paid	–	–	–	(1,151)
		–	**1,512**	**11,628**	**841**

	2012 £'000	2011 £ 000
*Included within Capital Reserves are investment holding gains of	**3,947**	8,820

On 23 October 2012, the Company's share premium account was cancelled and transferred to capital reserves

Notes to the Financial Statements

continued

15 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

	2012	2011
Net Asset Value per Ordinary share	**400.1p**	402 0p
Net Asset Value attributable to Ordinary shares of 5p	**£14,158,000**	£62,513,000

The Net Asset Value per Ordinary share is based on 3,538,185 (2011 15,551,506) Ordinary shares in issue at the year end

16 Reconciliation of net return before finance costs and taxation to net cash (outflow)/inflow from operating activities

	2012 £'000	2011 £'000
Net return before finance costs and taxation	**(426)**	12,975
Adjustment for		
Gains on investments held at fair value	**(1,492)**	(11,433)
Currency losses on foreign exchange	**66**	54
	(1,852)	1,596
Decrease in accrued income	**4**	–
Decrease in other debtors	**2**	18
Increase/(decrease) in other creditors (excluding interest)	**803**	(247)
Net cash (outflow)/inflow from operating activities	**(1,043)**	1,367

17 Analysis of Changes in Net Funds

	2011 £'000	Cash flow £'000	Exchange movements £'000	**2012 £'000**
Cash and short term deposits	1,300	(1,077)	(66)	157
AAA rated money market funds	3,751	(1,156)	-	2,595
Net funds	**5,051**	**(2,233)**	**(66)**	**2,752**

18 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 investee funds and apply the IPEV 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

18 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 18(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 Unlisted Funds in which the Company may hold an interest This market risk comprises three elements – currency risk (see note 18(b)), interest rate risk (see note 18(c)), and price risk (see note 18(d)) The Board reviews and agrees policies for managing these risks The 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 on-going basis

b) Currency Risk

The Company's assets are entirely denominated in Sterling, although the Company was exposed to some foreign currency risk through its investments in non-Sterling denominated securities at the previous year end

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 2012 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

	2012 US Dollars £'000	**2012 Euros £'000**	**2012 Total £'000**	2011 US Dollars £'000	2011 Euros £ 000	2011 Total £ 000
Cash at bank and short-term deposits	–	–	–	101	10	111
Foreign currency exposure on net monetary items	–	–	–	101	10	111
Investments at fair value through profit or loss that are equities	–	–	–	3,101	10,495	13,596
Total net foreign currency exposure	–	–	–	3,202	10,505	13,707

Notes to the Financial Statements

continued

18 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 2012 are shown below

	2012 US Dollars £'000	**2012 Euros £'000**	**2012 Total £'000**	2011 US Dollars £'000	2011 Euros £ 000	2011 Total £ 000
Total net foreign currency exposure	–	–	–	422	4,013	4,435

Foreign currency sensitivity

During the financial year Sterling depreciated by 4 6% (2011 depreciated by 0 7%) against the US dollar and appreciated by 3 0% (2011 appreciated by 2 6%) 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 0%

Applying a 10 0% (2011 10 0%) change in rate to the exposures listed above would affect net assets and capital return as follows

	2012 US Dollars £'000	**2012 Euros £'000**	**2012 Total £'000**	2011 US Dollars £ 000	2011 Euros £ 000	2011 Total £ 000
If exchange rates appreciated by 10 0% (2011 10 0%)	–	–	–	(290)	(955)	(1,245)
If exchange rates depreciated by 10 0% (2011 10 0%)	–	–	–	356	1,167	1,523

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the entire investment portfolio is now Sterling denominated

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 any loan facilities The Company did not have a committed loan facility during the year under review The Company previously had a loan facility of £30 million which was repaid and cancelled in October 2011

Cash awaiting investment or distribution to Shareholders in line with the Realisation Strategy may be invested in listed fixed interest investments, primarily UK gilts or AAA rated money market funds Derivative contracts are not used to hedge against the exposure to interest rate risk

Notes to the Financial Statements
continued

18 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

	2012 Within one year £'000	**2012 More than one year £'000**	**2012 Total £'000**	2011 Within one year £ 000	2011 More than one year £ 000	2011 Total £ 000
Exposure to floating interest rates						
Cash at bank and short-term deposits	**157**	–	**157**	1,300	–	1,300
AAA rated money market funds	**2,595**	–	**2,595**	3,751	–	3,751
	2,752	–	**2,752**	5,051	–	5,051
Exposure to fixed interest rates						
Investments at fair value through profit or loss	–	–	–	–	751	751
	–	–	–	–	751	751
Total exposure to interest rates	**2,752**	–	**2,752**	5,051	751	5,802

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 costs are at the following rates

- Interest received on cash balances is at a margin over LIBOR or its foreign currency equivalent (2011 same)
- Interest paid in the previous year on the £30 0 million loan facility was at 3 4% over LIBOR The facility was repaid in full in 2011 and cancelled in 2012
- The nominal interest rates on investments at fair value through profit or loss are shown in the Investment Review on page 7 The weighted average effective interest rate on these investments is nil (2011 8 3%)

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 (2011 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

18 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

	2012 £'000	2011 £ 000
Fixed asset quoted equity investments at fair value through profit or loss	**–**	1,624

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

	2012 £'000	2011 £ 000
Fixed asset unquoted equity investments at fair value through profit or loss	**12,512**	55,068

The Company's investment review is shown on page 7

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% (2011 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 2012 £'000	**Decrease in fair value 2012 £'000**	Increase in fair value 2011 £'000	Decrease in fair value 2011 £'000
Effect on capital return	**2,502**	**(2,502)**	11,338	(11,338)
Effect on total return and on net assets	**2,502**	**(2,502)**	11,338	(11,338)

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 £2 8 million This comprised £0 2 million cash and £2 6 million of AAA rated money market funds

Undrawn commitments at the year end were £2 7 million compared with liquid resources of £2 8 million It is anticipated that up to £0 2 million of the commitments will be drawn down prior to the Company's planned liquidation This level of drawdowns is considered to be manageable given the cash and cash equivalents and the anticipated distributions from the remaining private equity investments and is kept under review by the Portfolio Manager and the Board

Notes to the Financial Statements

continued

18 **Financial Instruments** continued

c) **Interest Rate Risk** continued

Interest rate sensitivity *continued*

	Increase in rate 2012 £'000	**Decrease in rate 2012 £'000**	Increase in rate 2011 £ 000	Decrease in rate 2011 £ 000
Effect on revenue return	**28**	**(28)**	51	(51)

Effect on capital return

Movements in interest rates will have an impact on the market price of a fixed rate investment The Company held no fixed rate investments at the year end At the prior year-end the Company held a convertible loan stock paying 8 25% with a maturity of 5 June 2016 The value of this investment was £751,000

d) **Other price risk**

The Company's exposure to other price risk comprises mainly movements in the value of its equity investments A breakdown of the Investments 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 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 IPEV 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 unlisted funds investments are provided on pages 26 and 27

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 unlisted funds, which on a look-through basis are invested in two 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 unlisted funds in which the Company has an interest

Notes to the Financial Statements
continued

18 Financial Instruments continued

e) Liquidity Risk continued

Management of the risk *continued*

It is also the case that, following the Company's adoption of the Realisation Strategy on 27 September 2010, future disposals of underlying investments held through the Company's unlisted fund holdings will reduce the Company's level of undrawn commitments while at the same time generating cash sale proceeds

Liquidity risk exposure

A summary of the Company's financial liabilities is provided in note 18(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

	2012 £'000	2011 £'000
Accrued income	**-**	4
Cash at bank and on deposit	**157**	1,300
AAA rated money market funds	**2,595**	3,751
	2,752	5,055

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 18(d)

Notes to the Financial Statements
continued

18 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

	2012 £'000	2011 £'000
Financial Assets		
Financial assets at fair value through profit or loss		
Fixed asset investments – designated as such on initial recognition	**12,512**	57,443
Loans and receivables		
Current assets		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	**4**	335
Tax recoverable	**1**	2
Cash at bank and short-term deposits	**157**	1,300
AAA rated money market funds	**2,595**	3,751
	15,269	62,831

	2012 £'000	2011 £'000
Financial Liabilities		
Creditors amounts falling due within one year		
Accruals	**1,111**	318
	1,111	318

19 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 9

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, polices 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

The impact of these provisions are unchanged since the previous year and the Company has complied with them

Notes to the Financial Statements

continued

20 Related party transactions

The investment manager is regarded as a related party of the Company Further information on the share interests of Henderson is provided on page 17

During the year, total management fees of £600,000 (2011 £660,000) and administrative fees of £45,000 (2011 £45,000), were payable to the Manager for investment management services to the Company A performance fee of £1,900,000 million (2011 £nil) was accrued during the year under review based on actual and expected future Shareholder distributions, with £1,077,728 already having been paid, leaving a provision of £822,272 as at 31 December 2012 (2011 £nil)

The basis of management fees charged is disclosed in note 3

At the balance sheet date, management fees totalling £150,000 (2011 £150,000) were accrued

21 Post balance sheet event

On 31 January 2013, the Company received approximately £7 9 million in proceeds from Rutland Fund I in relation to the sale of Advantage Healthcare

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 Conduct Authority
Portfolio Manager Ian Barrass
Email enquiries@itshenderson com

Corporate Company Secretary
Henderson Secretarial Services Limited, represented by
Tracey Lago ACIS

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Calls to this number are charged at 10p per minute plus network extras
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Stephenson Harwood LLP
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London EC2M 7SH

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

Tax

The calculation of tax on chargeable gains and income 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

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If you are in any doubt about the veracity of an unsolicited phone call, please contact either the Company Secretary or the Registrar as detailed on page 46

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