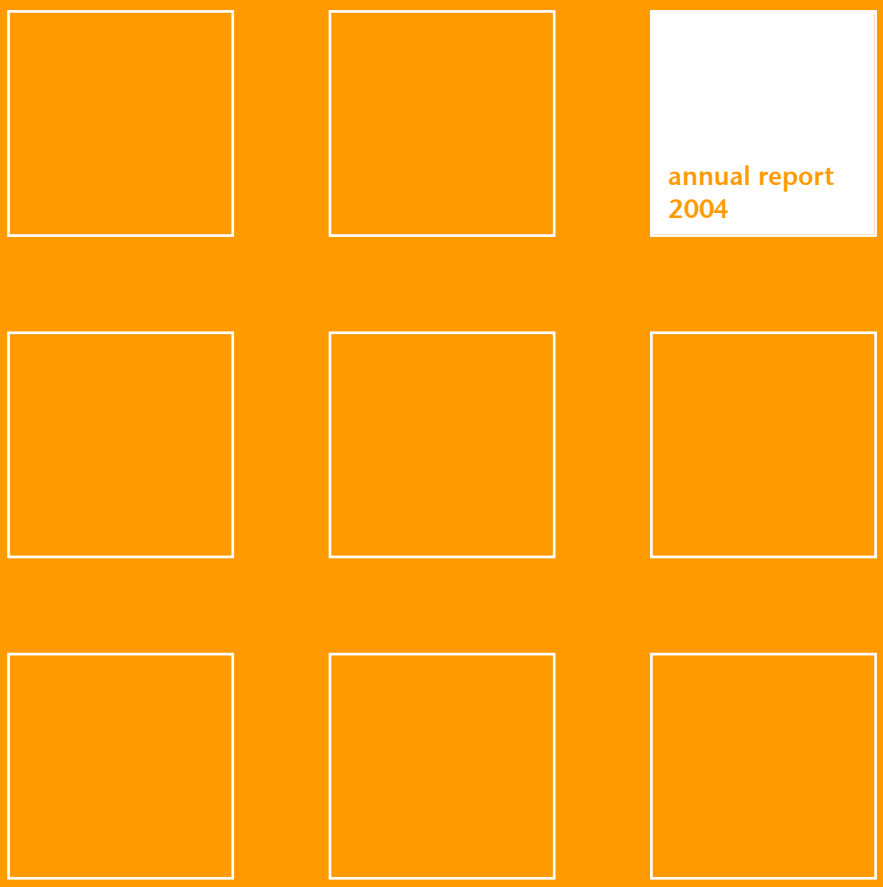
absolute private equity



annual report
2004

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letter to
shareholders

1. Letter to Shareholders

Dear Shareholder,

I am pleased to present the Annual Report of Absolute Private Equity Ltd. for the financial year 2004.

Let me quote from last year's Annual Report: "we are encouraged by the increase in the pace of both investment activity and distributions..." and "we expect this trend to continue...". There is even more supporting evidence for this today than there was last year.

Looking back, our timing was nearly perfect. During the market downturn in 2001 and 2002 opportunities to invest in distressed situations and buy-out investments were very attractive. We are already receiving many distributions from our investments. This is about two years earlier than one would have expected. I can thus say with some confidence that the difficult and not very rewarding first few years of investing in private equity are over.

However, our stock price does not reflect this. The Board of Directors has accordingly decided to redeem our investments in hedge funds. We will use the available liquidity to meet existing private equity commitments, but should the difference between our stock price and net asset value persist, we will be buying back some of our shares.

At the same time the Board is evaluating the possibility of distributing some of the profits of our investments to shareholders through par value reductions. We expect to be able to start doing this in 2006 and this will make an investment in Absolute Private Equity even more attractive.

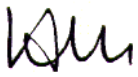
Absolute Private Equity will offer an attractive yield, will be buying back shares and, most importantly, its private equity portfolio will use the remaining liquidity to reinvest in interesting, new private equity funds.

The Board of Directors is very encouraged about the future of Absolute Private Equity. We consider that this investment company is among the best ways to invest in private equity at this stage of the company's development.

It was not easy to maintain a steady course during these first four years. In private equity investments this is typically the most difficult phase and we have successfully come through this period now. On behalf of the Board of Directors I would like to thank you for your continued trust and loyalty.

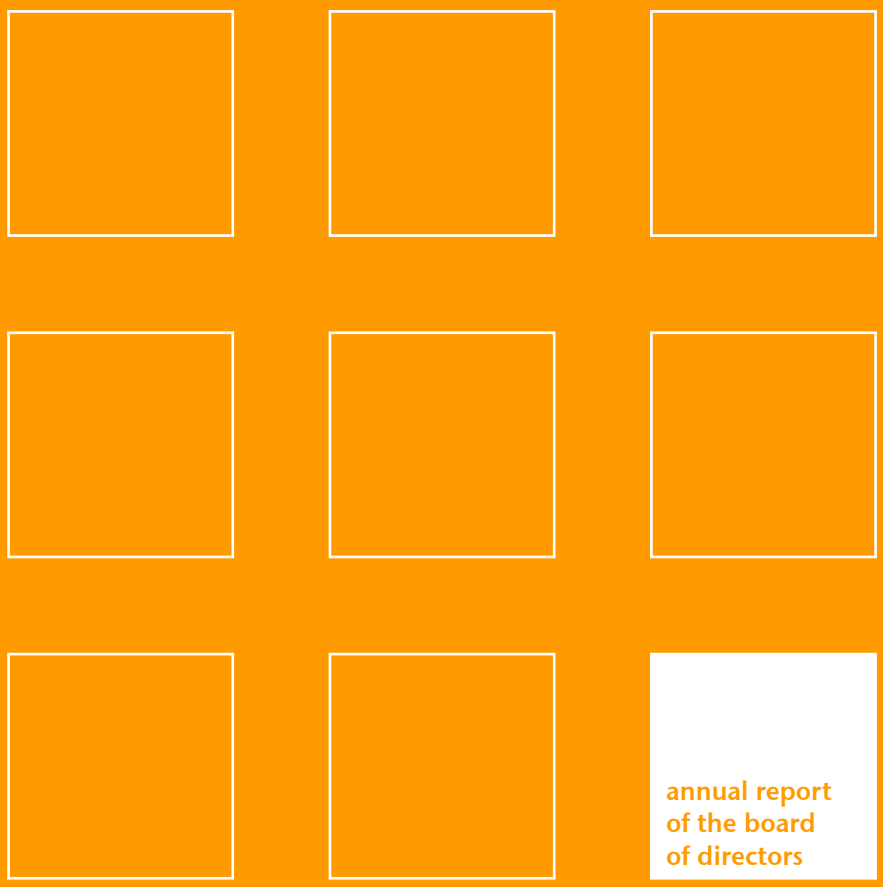
The annual shareholders meeting will take place in Zug on June 24, 2005.

Sincerely,



Thomas Amstutz, Chairman

absolute
private equity



annual report of the board of directors

2. Annual Report of the Board of Directors

2.1 Financial Markets and the Hedge Fund Industry

Financial Markets

World financial markets in late 2003 and early 2004 can be characterized by concerns over the possibility of interest rate hikes, a decline in volatility to multi-year lows, uncertainty in the global markets, surging oil prices, the US Presidential Election, the war in Iraq, fear of terrorism and a continued weakening of the US Dollar versus most major currencies.

During the first quarter of 2004, equities exhibited range-bound behavior in most markets as speculation drove equity prices without regard for fundamentals. Japan was a notable exception, as equity markets rose amidst optimism surrounding the country's economic recovery. The unprecedented tightening of credit spreads in 2003 was followed by continued positive performance in 2004. Spreads continued to contract, although the path was choppier and the trend less certain. For most of the first quarter, bond markets rallied over expectations that the US Fed would postpone raising interest rates. At the end of the quarter, positive US employment data retriggered earlier concerns over the possibility of rate hikes, causing reversals in equity and bond markets. There was an abundance of corporate mergers and restructuring activity in the first quarter. Gold and oil prices continued to rise and the US Dollar rebounded slightly.

Equity markets continued to display uncertainty during the second quarter of 2004, as oil prices surged further, and economic performance was difficult to forecast. The threat of terrorism reasserted itself through the bombing of a commuter train in Madrid at the end of the previous quarter, leading to further uncertainty in markets. Further speculation over the possibility of a rate hike by the US Fed led to indecisive behaviour in the bond and equity markets until rates were actually raised at the end of the quarter. The possibility of an economic slowdown in China loomed large in the minds of investors.

The third quarter of 2004 began with a significant sell-off in the equity markets. Uncertainty persisted as energy prices rose to record highs and the US Presidential Election drew near. Furthermore, soft economic and job creation data and the war in Iraq exacerbated the economic soft patch that began with the onset of the summer. By the end of the quarter, bond and equity markets rebounded after reaching new lows for the year in early August. The US Dollar weakened somewhat during the third quarter and high yield credit spreads continued to contract. Merger arbitrage deal activity was somewhat low during the quarter, although higher than the same period in 2003.

The fourth quarter of 2004 can be characterized by the significant market rally that occurred across global equity markets. Depending on how managers were positioned, many either made or lost a significant portion of their 2004 overall performance during the fourth quarter. Equity long/short managers with significant net long exposure benefited greatly from the year-end rally. Markets were buoyed in part by December's US merger activity, which was the second best month of the year in terms of deal size. In addition, crude oil prices declined in both November and December. Finally, the US Dollar declined significantly versus other major currencies.

Private Equity Market Review

Buyout

The key drivers of solid private equity returns in 2003 remained largely unchanged during 2004. A relative influx of strategic buyers combined with rebounding demand gave buyout funds very strong deal flows, while continued low interest rates helped in securing cheap financing. U.S. buyout firms raised $58.9 billion in 2004, substantially higher than the $45.6 billion of 2003. A number of prominent buyout funds raised capital during 2004. The Carlyle Group took the lead with $5.7 billion raised for seven active funds, followed by Providence Equity Partners and Bain Capital, each of which raised over $4 billion. Hellman & Friedman closed its fifth buyout fund with $3.5 billion in commitments in the second quarter of 2004.

In total, U.S. buyout funds executed deals worth $136.5 billion, a 45% increase over 2003 and almost six times greater than 2001. The increased volume was largely driven by transactions of over $1 billion, with over 40 deals of that size transacted in 2004. The most notable transactions were completed by a number of blue chip groups including The Blackstone Group, Kohlberg Kravis & Roberts, the Carlyle Group and Providence Equity Partners. The Blackstone Group participated in the $3.65 billion Texas Genco deal, along with Texas Pacific Group, Hellman & Friedman, and Kohlberg Kravis & Roberts, which was the largest U.S. power deal by a financial buyer since deregulation of the wholesale electricity market began in 1999. In February 2004, Kohlberg Kravis & Roberts acquired PanAmSat, a publicly-held satellite arm of DirecTV, in a transaction valued at $4.3 billion. Warner Music Group was purchased by Bain Capital, Providence Equity Partners, Quadrangle Group and Thomas Lee Partners for $2.6 billion. In another large transaction, Providence Equity Partners, Texas Pacific Group and DLJ Merchant Banking Partners teamed up with Sony and Comcast to acquire Metro-Goldwyn-Mayer for $4.8 billion in a deal that was announced in September 2004. The Carlyle Group was involved in 21 buyout transactions worth an aggregate total of $11 billion. In addition, Warburg Pincus announced the greatest number of deals – 41 deals worth $1.5 billion in total.

In addition to an active M&A market, several buyout-backed companies priced their IPO's on various U.S. exchanges. IPO's completed by buyout-backed companies increased from 18 in 2003 to 52 in 2004. The Carlyle Group had two IPO's - Dex Media and PRA International – which raised a combined total of more than $1.0 billion. Nalco, owned by Blackstone, Goldman Sachs Capital Partners and Apollo Management raised $667 million in November 2004, a year after the company was acquired.

Venture Capital

Venture capital funds raised a total of $18.2 billion and invested $26.5 billion in 2004, compared to $11.5 billion and $24.9 billion, respectively, in 2003. Fundraising gained momentum in the latter half of 2004 with 65% of total capital raised in the last two quarters.

During the year, 174 venture funds raised capital compared to 148 in 2003. Oak Investment Partners raised the year's largest venture fund, which closed at $1.5 billion in July 2004. InterWest Partners and U.S. Venture Partners also raised large funds of $600 million each. The amount of money raised by venture firms could have been substantially larger if dozens of firms had not turned down millions of dollars to keep their funds at a manageable size. Battery Ventures, for example, received over $1 billion in commitments for its seventh fund, but held to its $450 million target. The prime focus of investment continued to be computer-related companies with nearly 30% of total investment made in these companies, followed by 26% in life sciences and biotechnology companies and 17% in non-high tech companies.

Venture-backed merger and acquisition activity remained stable throughout 2004. A total of 333 deals were completed in comparison to 289 deals in 2003. Of these, 181 deals with disclosed transaction values were valued at $15.1 billion, twice the $7.7 billion figure of 2003. The average deal value ranged from $88-94 million during the first three quarters of 2004, but dropped steeply to $61.1 million in the fourth quarter.

For the full year 2004, 93 venture-backed IPO's raised a total of $11.0 billion, substantially higher than in 2003 when 29 venture-backed companies went public for $2.0 billion. 81% of the venture-backed companies that priced in 2004 received their first round of venture financing prior to the technology bubble burst, demonstrating the improving availability of viable exit options for companies that survived the recession. In the fourth quarter alone, 27 venture-backed companies raised $3.0 billion through IPO's. The IPO market was driven primarily by the technology sector, which raised $6.6 billion, while the life sciences sector raised $2.4 billion and the non-high technology segment accounted for $2 billion. In 2004, the largest venture-backed IPO was of Semiconductor Manufacturing International Group, which raised $1.8 billion, followed by the $1.7 billion IPO of Internet search website Google. DreamWorks Animation, an all-digital studio and entertainment company, also raised $812.0 million during the fourth quarter of 2004.

International

With a rebound in the public equity markets and a favorable interest rate environment, the global private equity industry witnessed a significant improvement in 2004. Total private equity fundraising in 2004 was $121.9 billion, an increase of 30% from $93.9 billion in 2003. Fundraising was especially brisk in the second and third quarters, during which $33.0 billion and $28.9 billion were raised, an increase of 66% and 59% respectively over the corresponding periods in 2003. Buyout funds raised $79.8 billion during the year, an increase from $70.7 billion in 2003. Venture capital funds raised $28.7 billion, an increase of 72% over the $16.7 billion raised in 2003. Despite increased fundraising, the number of private equity deals and the amount invested both declined. $75.8 billion was invested in 7,688 deals during 2004 compared to $90.0 billion in 8,146 deals in 2003. Private equity exits through IPO and M&A activity followed the same trend as the fundraising market, increasing 212% and 36% in value, respectively, compared to the previous year.

Private equity fundraising in Europe totaled $22.8 billion in 2004, a decline of 15% compared to the $ 26.9 billion raised in 2003. The third quarter saw a 62.6% decline in fundraising activity in comparison to the corresponding quarter in 2003, but fundraising increased 45% in the fourth quarter to $9.6 billion. European private equity firms that raised large funds during 2004 included Apax Partners Worldwide (APAX Europe VI), Carlyle Group and AXA Private Equity, which raised $3.8 billion, $1.8 billion and $1.6 billion, respectively. The amount invested as well as number of deals declined in 2004, as $19.5 billion was invested in 3,065 transactions compared to $23.4 billion in 3,476 deals in 2003.

Some of the largest transactions of the year included the purchase of Intelsat by Zeus Holdings Limited (a company formed by a consortium of funds comprising Apax Partners, Apollo Management, Madison Dearborn Partners and Permira) for $5 billion. In July 2004, CVC Capital Partners and Permira jointly acquired AA from Centrica in a £1.75 billion ($3.2 billion) deal. In September, Fortress Investment Group acquired Germany's fourth largest residential housing company, GAGFAH, from the German federal government's social security and pension agency in a deal valued at £3.5 billion ($4.3 billion). In November 2004, Clayton, Dubilier & Rice, along with Eurazeo and Merrill Lynch Global Private Equity acquired 73.5% of Rexel from Pinault Printemps Redoute (PPR) in a deal valued at $4.9 billion. The top three sectors for European buyout firms in value terms were the industrial/energy, consumer related and medical/ health/ life sciences industries accounting for 31.7%, 16.7% and 11.8%, respectively, of the $14.6 billion invested in European buyouts in 2004.

Private equity investments in the U.K. declined in 2004 from $7.8 billion to $5.5 billion, as its global share fell to 7.3% from 8.7% in 2003. Buyout deals in the U.K. also declined, falling to $4.1 billion from $6.7 billion in 2003, a 39% drop. In contrast, Germany experienced a significant increase in private equity investments, which rose to $5.5 billion from $2.6 billion in 2003. Germany dominated the European buyout market capturing 11.0% of the global buyout volume ($4.8 billion in 2004 compared to $2.2 billion in 2003) followed by the U.K. (9.4% share of global buyouts), France (4.7%) and Netherlands (2.7%). The European private equity industry also shifted focus in 2004 from buyout and expansion stage investments to startup/seed, early and other stage investments. The amount invested in buyouts decreased 27% to $13.3 billion and expansion stage investments fell 20% to $2.5 billion from 2003 levels. Investments in startups and early stage companies increased substantially to reach $1.4 billion, an increase of 59% from 2003.

Asian markets attracted considerable attention in 2004 from private equity firms eager to harness the huge untapped potential in these markets. New York-based Ripplewood Holdings doubled its original investment in Shinsei Bank when it floated 35% of the bank last February, raising $2.4 billion. Its sale of about $3 billion in Shinsei Bank shares during 2005 is expected to deliver profits worth more than four times the initial investment. Although the number of Asia-focused private equity funds (especially those targeting companies in Japan, South Korea and China) have increased substantially, such funds will increasingly compete for deals with domestic companies driven by strategic considerations. Funds in Asia are under pressure to deliver significant returns after securing more than $10.6 billion in commitments last year, the largest in four years. Auto components, telecom, banks and finance companies have seen particular interest from private equity firms. The Carlyle Group recently set up a Japanese venture capital team to invest growth capital in young Japanese companies. In June, Carlyle joined forces with electronic parts maker Kyocera Corp. to acquire a wireless unit from Japanese telecoms operator KDDI Corp. for 220 billion yen ($2.0 billion), marking the largest leveraged buyout in Japan in 2004. Carlyle and JP Morgan Corsair II sold their 36.6% stake in KorAm Bank to Citigroup in February 2004 for almost $1 billion.

2.2 Absolute Private Equity Ltd.

Performance of Absolute Private Equity Ltd.

Absolute Private Equity Ltd. as of Dec 31, 2004

	USD
Absolute Terms	
Share Price	43.00
Net Asset Value per Share	59.48
Discount	-27.71%
Performance since Inception	
Share Price	-23.92%
Net Asset Value per Share	11.80%
Performance 2004	
Share Price	-1.04%
Net Asset Value per Share	6.44%
Capitalisation	491'580'343

Performance Review

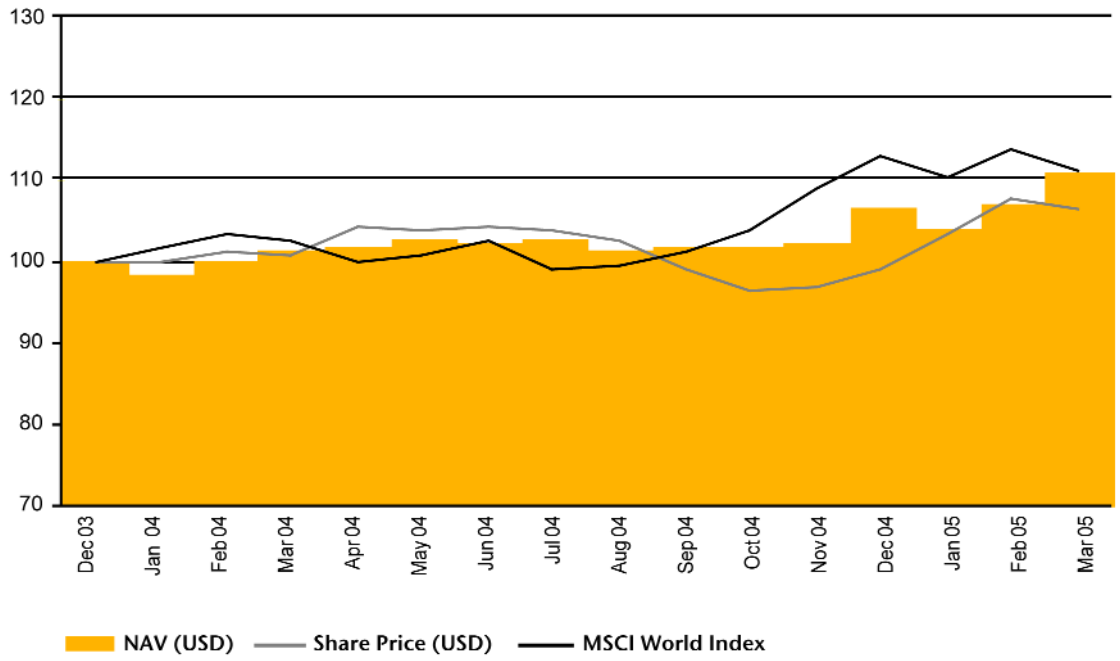
Absolute Private Equity's net asset value increased by 6.44% during the period under review. The increase is primarily due to the healthy development of the private equity funds in the underlying portfolio and improving conditions in the private equity industry in general. The net asset value stood at USD 59.48 per share at the end of 2004. The share price decreased by 1.04% during the same period, closing at USD 43.00.

As shown in the graph on the following page, the net asset value continued its upward trend since the beginning of 2005 and gained 3.94% during the first quarter. The share price also increased during the period, gaining 7.33%.

From the time of the company's launch in September 2000 through December 31, 2004, the net asset value of Absolute Private Equity rose by 11.80% while the share price decreased by 23.92%. The share price, while influenced by the performance of the underlying private equity and hedge fund investments, is also strongly affected by general market conditions and investor sentiment, and should be viewed in this context. Equity market conditions have been difficult as well, with the MSCI World Index losing 10.41% from the time of the company's launch in September 2000 through December 2004.

Nevertheless the share price performance is disappointing. In the Letter to Shareholders, the Board of Directors have made it clear that it is determined to reduce the discount between share price and net asset value.

Performance of Absolute Private Equity Ltd. share price and net asset value (NAV) compared to the MSCI World Index (in USD) for the period January 1, 2004 to March 31, 2005

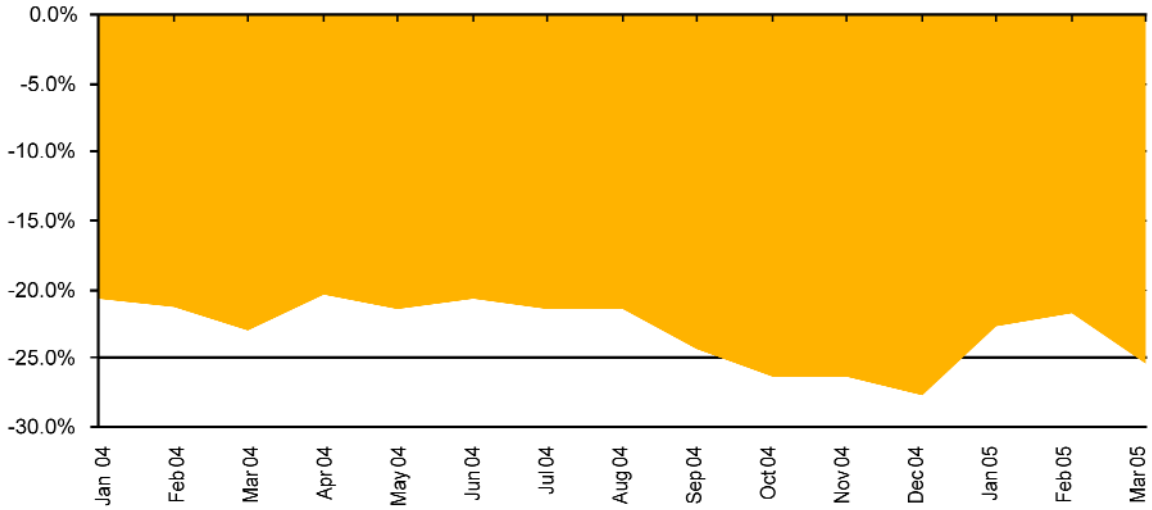


Premium / discount discussion

While the net asset value of the portfolio is based on the performance of the underlying funds, the share price is influenced by factors other than portfolio composition alone and is affected by such things as general market conditions, investor sentiment and changes in regulation and laws that pertain to investment companies. Together these factors result in significant short-term fluctuation of the share price but they have little to no influence on the net asset value.

As a result, a discrepancy between the share price and the net asset value can occur and result in a premium or discount. Currently, exchange traded investment companies generally face large discounts as a result of liquidity constraints.

Premium / discount comparison for the year under review



Strategy Allocation

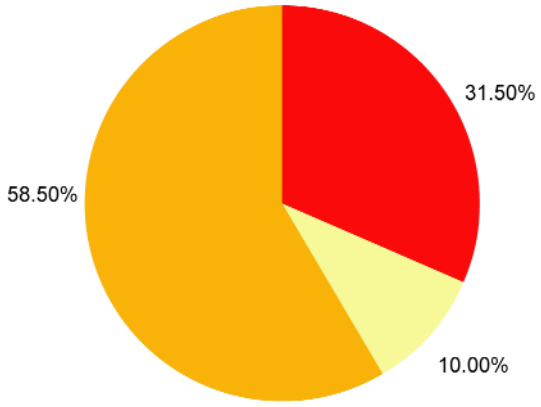
Absolute Private Equity Ltd. as of	December 31, 2004*		December 31, 2003*	
Asset Class				
	In USD mn	**in %**	**In USD mn**	**in%**
Cash and cash equivalents/other assets and liabilities	214.1	31.5%	50.4	7.9%
Absolute Return Strategy	67.9	10.0%	275.4	43.1%
Private Equity Funds	398.0	58.5%	313.0	49.0%
Total Net Assets	**680.0**	**100.0%**	**638.8**	**100.0%**

* all figures are disclosed on a consolidated basis

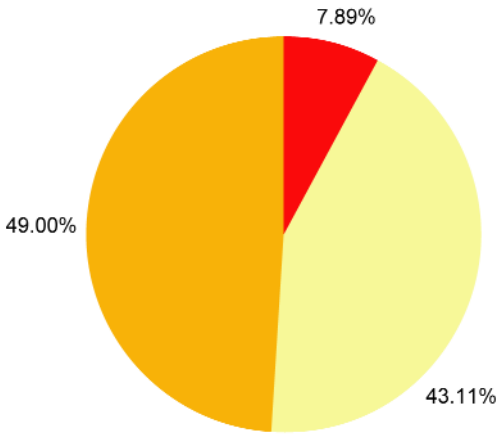
During 2004 over USD 140 million was called for new investments within the private equity portfolio. Change in unrealized gains/losses amounted to USD 22 million, and recallable returns of capital - money that was returned by the underlying funds but that may be recalled - amounted to USD 40 million. Distributions from underlying private equity funds amounted to USD 37 million. The capital received from distributions was mostly reallocated to the private equity funds. Additionally, capital that was formerly in the absolute return portfolio has been allocated to private equity to fund future capital calls.

The following two graphs show the allocation of the portfolio at year-end 2004 and 2003. As can be seen, the money allocated to private equity has increased. The absolute return part of the portfolio was greatly reduced. This mirrors the fact, that we were receiving an increasing number of capital calls from our private equity funds. We have redeemed all hedge funds with the exception of Platypus Macro Fund.

Allocation 31.12.2004



Allocation 31.12.2003



Cash Absolute Return Strategies Private Equity Funds

2.3 Absolute Private Equity Ltd. Portfolio

Private Equity Portfolio

Commitment Review

Total Committed Capital	**693'157'614**	**101.9%**
Overcommitted Capital	**13'189'855**	**1.9%**
Total Absolute Private Equity Capital	***679'967'759***	**100%**

Total commitments to private equity funds as of 31 December 2004 stood at USD 693.2 million, of which USD 398 million were invested. In total, Absolute Private Equity is currently overcommited by 1.9%. A detailed overview of fund commitments can be found on the following page.

Private Equity Investments as of December 31, 2004

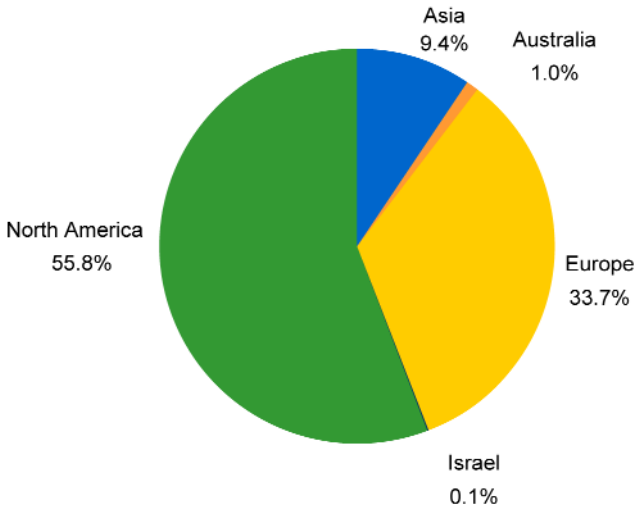
Private Equity Funds	Investment Focus	Commitments USD	Invested Capital* USD to date	% of Commitments	% of ABSP Assets
Clarity Partners	Software & technology companies in telecom, media and internet	10'000'000	2'802'725	28.03%	0.41%
Bay Partners	Early stage investment in US technology companies	8'000'000	2'642'317	33.03%	0.39%
GRP II	Start-up and venture capital in the US and EU	15'000'000	7'102'689	47.35%	1.04%
PAI III Europe	Focus on buyouts, lesser extent growth capital, in Western Europe	25'179'072	19'299'053	96.50%	2.84%
CSFB Middle Market Value Investor, LP	Focus on middle market buyouts in the US	74'925'000	43'179'702	57.63%	6.35%
CSFB Global Opportunities Partners	Investments into distressed companies world-wide	50'000'000	30'587'765	61.18%	4.50%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	9'239'497	61.60%	1.36%
DLJ Venture Partners II	Venture & growth capital in a broad range of industries world-wide	7'111'396	5'052'379	71.05%	0.74%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	7'365'264	73.65%	1.08%
Warburg Pincus International Partners, LP and affiliates	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	200'000'000	134'903'402	67.45%	19.84%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	16'808'947	67.24%	2.47%
Terra Firma Captital Partners	Investments into large, distressed companies world-wide	97'942'146	30'963'336	34.87%	4.55%
ADM Maculus Fund, L.P.	Distressed assets and undervalued situations in Asia	15'000'000	6'263'902	41.76%	0.92%
CSFB Fund VII Investor, LP	Venture & growth capital and buyouts in a broad range of industries	140'000'000	81'783'021	58.42%	12.03%
	Total	**693'157'614**	**397'993'999**	**58.63%**	**58.53%**
	Total Net Assets Absolute Private Equity	***679'967'759***			

* all figures are on a consolidated basis

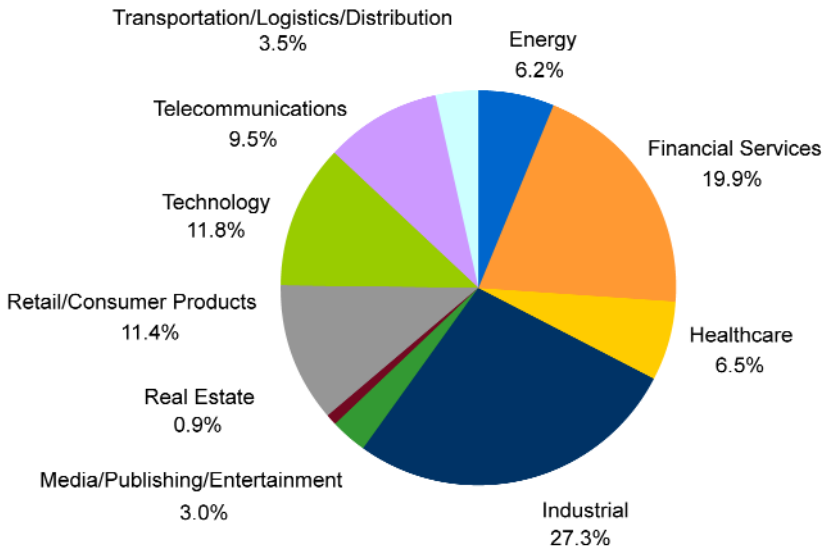
Portfolio Diversification Charts

At the end of the period under review, 498 portfolio holdings remain in Absolute Private Equity via its underlying fund investments. Diversification by geographic concentration and industry sectors for the combined underlying portfolio companies based on invested cost are shown in the charts below:

Portfolio companies by geographic concentration



Portfolio companies by industry sector



Portfolio Highlights

As of 31 December 2004, CSFB Fund Investment VII Holdings, L.P. had called and invested $118.0 million and $89.6 million, or 83.0% and 63.0% respectively, of aggregate capital commitments of $142.1 million. The estimated net multiple remains almost the same at 1.25x cost compared to 1.26x cost from the second quarter of 2004. The positive performance is mainly attributed to four of the nine underlying funds. T3 Partners II, L.P. has the best performance among the four funds, with approximately 2.04x cost. Fund distributions total approximately $32.3 million or 36.1% of contributed capital and result from certain realizations by Apax Europe V-A, L.P., Blackstone Capital Partners IV, L.P. ("BCP IV") and DLJ Merchant Banking Partners III, L.P. ("MBP III"). BCP IV received dividend proceeds of $202.6 million from the initial public offering ("IPO") of Nalco Holding Company ("Nalco") (NYSE: NLC), a leading global provider of integrated water-treatment and process improvement services, chemicals and equipment programs for industrial and institutional applications. The realized gain to BCP IV was $142.7 million. BCP IV also recorded an unrealized gain of $294 million from an IPO of Foundation Coal Holdings, Inc. (NYSE: FCL), producing a return of 4.6x on its initial investment in less than six months. MBP III recently sold its remaining 1.5 million shares of Kinetic Concepts, Inc. (NYSE: KCI), a global medical technology company focused on advanced wound care and therapeutic surfaces, through a block trade at a net price of $71.02 per share, generating proceeds of approximately $103.4 million, or 5.2x MBP III's associated cost basis of $20 million. MBP III also sold 1.2 million common shares of Montepelier Re Holdings Limited (NYSE: MRH), a Bermuda-based reinsurer and insurer currently focused on property-exposed lines of business, in a block trade at a net price of $36.93 per share on 30 November 2004, representing 2.2x its $120 million of invested capital and a gross IRR of 36.1%.

As of 31 December 2004, CSFB MMV Investor, L.P. had invested $47.2 million, or 62.9% of aggregate capital commitments of $75.0 million. Distributions totalled approximately $14.2 million or 30.0% of contributed capital. The estimated net multiple increased to 1.05x cost compared to 1.03x cost from the second quarter of 2004, an increase of approximately 2.1%. Successful realizations received from Apollo Investment Fund V, L.P. ("Apollo") and Charlesbank Equity Fund V, Limited Partnership ("Charlesbank V") contributed substantially to the positive performance of the portfolio. Apollo participated in the Nalco IPO and received aggregate proceeds of approximately $349 million. Apollo also received approximately $506 million from the United Agri Products IPO (NASDAQ: UAPH), a leading North American distributor of agricultural and other non-crop inputs to commercial farmers and smaller regional distributors. Charlesbank V sold Regency Gas Services ("Regency") to Hicks Muse Tate & Furst for $405 million or 3.1x invested cost. Regency is a Dallas-based midstream gas gathering, processing and transmission company.

As of 31 December 2004, MatlinPatterson Global Opportunities Partners (Bermuda), L.P. ("MPGOP") had invested $34.3 million, representing 68.6% of aggregate capital commitments of $50.0 million. Distributions totalled approximately $21.7 million or 63.3% of contributed capital. The estimated net multiple increased significantly to 1.31x cost compared to 1.24x cost from the second quarter of 2004, an increase of approximately 5.6%. The improvement is a result of the sale of 13 million shares of NRG Energy, Inc. ("NRG") (NYSE: NRG) common stock in December 2004. In a little over two and a half years, NRG, the third largest independent power generator in North America, has generated $661.0 million in proceeds for the MPGOP, or 2.7x invested capital for a realized IRR of 74%. As of 31 December 2004, DLJ Venture Partners II, L.P. ("VPII") had called and invested $14.5 million and $12.3 million, representing 58.0% and 49.2% respectively, of aggregate capital commitments of $25.0 million.

Capital calls in the third and fourth quarter of 2004 totaled $3.0 million (Privatissimo's portion of the capital call was approximately $0.9 million), most of which was used for new investments and follow on investments. As of December 31, 2004, the VPII distributed $3.1 million or 21.4% of

contributed capital of $14.5 million (Privatissimo's portion of the cumulative distribution was approximately $0.9 million) and had an estimated net multiple of 1.19x. The investment pace of the VPII portfolio remains on track and the performance of the underlying portfolio companies held through VPII continues to be positive. Specifically, at least five of the eight underlying funds are on track to produce top-quartile returns compared to similar 2000 and 2001 vintage years funds.

Providence Equity Partners IV, L.P. reported two distributions in the fourth quarter related to the refinancing of Kabel Deutschland ("Kabel"), resulting in total proceeds of $358.9 million. In less than two years, Kabel has generated $642.4 million in proceeds, or 2.6x invested capital for a realized IRR of 123%. In addition, Trident Capital Fund V, L.P. distributed one-half its current holdings of Epicor Software Corporation ("Epicor") (NASDAQ: EPIC), a provider of integrated enterprise resource planning (ERP), customer-relationship management (CRM) and supply-chain management (SCM) software solutions to mid-market companies around the world. The total value of the distribution is approximately $25.5 million based on the closing price of Epicor's stock on 11 November 2004.

Absolute Return Strategy Portfolio

The absolute return part of the portfolio stood at USD 67.9 million at the end of December, representing 10.22% of Absolute Private Equity. The goal of this portfolio is to optimize the cash management of funds that have not yet been invested in the private equity part of Absolute Private Equity. The capital within the absolute return part will be reallocated to the private equity portion as soon capital is called to fund commitments.

The absolute return part of the portfolio was greatly reduced towards the end of 2004, as we were receiving an increasing number of capital calls from our private equity funds. We have redeemed all hedge funds with the exception of Platypus Macro Fund. In the following section, we present the reviews of the three investment managers which composed the absolute return part of the portfolio during 2004.

Global Opportunistic Portfolio Notes (GOP)

For the nine-month period ending 30 September 2004, the performance of the Kenmar Global Opportunistic Portfolio generated a profit of 0.34%. Gains in arbitrage, long/short equity, emerging market and credit were offset moderated by losses in global macro, managed futures and foreign exchange strategies.

In anticipation of the portfolio closing the end of September 2004, Kenmar began winding the portfolio down at the end of July. The portfolio formally stopped trading at the end of September 2004.

Over the nine month period, arbitrage experienced the greatest gains of all strategies traded in the portfolio. The portfolio benefited as fixed income arbitrage managers were able to identify micro yield curve arbitrage trades that were profitable during the phase of the US Fed's transition towards higher interest rates.

Additionally, fixed income managers benefited from lower prepayments, as the expected increase in interest rates dampened the actual rate of mortgage refinancing. This was positive for these managers as they held a lot of mortgage interest only derivatives positions. They benefited from the high carry, low prepaying positions that are well hedged.

Also performing well were credit managers that continued to find opportunities that generated high carry. Some of the managers acquired assets at distressed levels that were trading at premium for very positive realized gains. The majority of their holdings had floating rate coupons, so they were immune to rising interest rates. Throughout 2004 we increased the portfolio's exposure to credit related strategies.

Long/short equity managers were profitable for the period. The portfolio's biotech specialist posted the greatest gains, gaining on stock selection on both the long and short side of their portfolio, specifically in larger cap healthcare stocks. The portfolio's long/short Japanese equity manager also contributed positively to the portfolio through long positions in the consumer and retail sectors. Additionally, emerging market managers posted positive gains for the period, especially in emerging market debt. The portfolio's emerging market debt specialist generated broad based gains, as global economic conditions remained favourable for emerging market debt, including low yields, strong growth and healthy equity markets.

Global macro and managed futures posted the greatest losses for the portfolio during 2004. During 2004, we witnessed several "transition" periods as long-standing trends were muted as the economic recovery seemed well underway. As markets consolidated and changed several direction several times over the course of the nine-month period, managed futures and global macro performance was generally negative. It is during these periods that short-term, nimble strategies are likely to out-perform longer-term approaches. Similarly, foreign exchange managers suffered losses for the period.

(Source: Kenmar Global Investment Management Inc.)

Elysium Global Macro

2004 presented challenging market conditions across all asset classes. Notwithstanding, the majority of our fundamental macro economic views, and core positions put in place at the beginning of the year, continue to have strong merit. The difficulty in managing these positions without being forcibly stopped out due to our self-imposed risk limits was accentuated month by month. Therefore with the market witnessing volatile price moves and often violent forced liquidations, we focused our attention on risk management, a slight increase in shorter-term trading and dynamically sizing medium/long-term positions, and constant re-evaluation of core fundamental views. We also added two senior FX traders to the team in early May.

The core views we expressed at the beginning of 2004 were broadly: a long awaited recovery in the U.S. economy, albeit with the first hike in U.S. interest rates simultaneously signaling a slower pace of subsequent rate increases; a continued and enlarging U.S. current account deficit, keeping the US Dollar under pressure against almost all major currencies for the duration of 2004; a recovering U.S. equity market, with strong earnings announcements in the first two quarters leading to higher equity prices in both technology and major industrial; a steepening of the U.S. interest rate curve, with the 10 year bond yield rising sharply mid year; commodities-based currencies such as the AUD and CAD benefiting from the global re-inflationary environment and (Chinese) exports; the U.K. making the first move up in interest rates, ahead of the Switzerland, and the Euro zone (in that order); the Swiss raising interest rates as their economy recovered, and

that currency reversing its multiple year trend of weakness; Japan finally enjoying a real recovery, due in large part to Chinese consumption, and a pull back by the BOJ from selling its currency once the Japanese equity market was at a level deemed comfortable for domestic industry, a strengthening of that currency against the US Dollar.

With the exception of April, our short-term trading book took advantage of exceptional market volatility during the first half, profitably trading G7 currencies through mostly cash, and some directional option positions. In May, we added a second short-term trader, Jay Greenberg, a veteran UBS proprietary trader who has worked with Michael Guarino, our Chief Dealer for over 10 years. Jay was one of UBS' most successful and respected proprietary FX traders throughout his career, and joins us to focus exclusively on short-term trading, working directly with Michael. Jay provided unique and valuable insight into buy and sell-side positions, flows, technical behavior and has both broad and deep market relationships.

We also added a new partner to our trading team, Bronia Jenkins. Bronia joined us from Bank of America, where she was globally head of foreign exchange. Formerly, she was hired by Andy Siciliano in 1990 to work at O'Connor on the FX options desk, rising to be one of the leading traders in the firm. Bronia is regarded in the industry as one of the most successful FX options specialists. Her role was to work directly with Andy in the management of his portfolio. While Andy continues to direct our overall macro economic strategy, Bronia took on responsibility for the day-to-day management of the portfolio, utilizing her skills in the formation of individual trade expression, risk management, position sizing, buy and sell disciplines and trade execution. Over time, we also anticipate that Bronia will take on a small capital allocation of her own, which would focus exclusively on FX option gamma trading. We are delighted to have Bronia as part of the team.

In our fundamental macro portfolios, we held on to our medium and long-term positions during five out of six months in the first half of 2004. April witnessed perhaps the most violent swings in major currency crosses, long-term U.S. interest rates and equities, and caused us to temporarily liquidate many of our profitable positions. The month is worthy of detailed discussion, since it was an unusual and rare confluence of economic and market related events, which led to wholesale market liquidations of core positions which remain fundamentally sound today.

We entered the month anticipating continued strong economic numbers out of the U.S., a consequent sell-off in the long end of the US Dollar interest rate curve, and a moderate upward move in equities. Our thesis played out initially as expected, allowing us to profitably liquidate half of our 10-year bond position, as well as a portion of our equities. During the second week of April, the market abruptly changed its view of short-term US interest rates, believing that the US Fed would be forced to tighten prior to the U.S. Presidential Election in November. Combined with lower expectations for rate rises in Australia, the U.K., and Canada, this lead to a complete reversal in the weak US Dollar view that had persisted for much of the past few months.

The violence of this move was exacerbated by the size of long US Dollar positions held by both macro and systematic investors. The reversal of a macro economic view as well as a trend caused massive forced liquidations in the major currencies, and subsequently the minors (EUR/STG and EUR/CHF), which suffered from their relative illiquidity.

Going forward, our economic thesis outlined above continues to play out, albeit with periodic severe dislocations continuing in all asset classes, based in part on a concentration of positions among the CTA and systematic community, and related market confusion in the U.S. in particular on the timing and pace of the economic recovery, and its impact on the US Dollar and the equity market.

For the duration of 2004, our short-term trading book continued to play an important role in profit generation, benefiting from periods of acute market illiquidity, and targeting qualitative mean reversion trends in the major FX crosses. We also made extensive use of both cash and options forming the basis of creative trade expression in our medium and long-term views. Sell disciplines were an even more important focus, with a greater percentage of potential profit having to be left, rather than risk the violent re-tracements which have had the potential to wipe out all accrued gains.

(Source: Elysium Capital Group)

Platypus Macro Fund

2005 was a very difficult and frustrating year for Platypus Macro Fund. Despite decades of experience in the fixed income markets, we saw the unfolding of events that were unique in our careers. Extraordinarily low interest rates, tightening Central Banks, and improving economies set the stage for our perception of higher longer term interest rates and lower bond prices. In hind sight, we were wrong. In good company, as even the FOMC chairman eventually expressed surprise that longer term prices had not declined. But our short positions proved unprofitable.

When the US non-farm payrolls for December, January and February were released, they were preceded by strengthening economic data from a variety of sources. When December was initially reported as +1,000 instead of the anticipated 155,000, it caused US bond market prices to rocket upward. The following two months were initially reported as only slightly better resulting in further gains. While the initial figures for these three months were eventually revised upward, and employment growth did show up in the March and April numbers, the disconnect between the improving US growth picture and initial employment reports proved damaging. It also set the stage for a year when fixed income prices would prove surprisingly resilient. A bad year for fixed income bears.

(Source: Platypus Asset Management)

2.4 Private Equity Outlook 2005

General Outlook

The improved global economy and private equity's strong showing in 2004 has set the stage for 2005 to be a rewarding year for private equity investors. The attractive outlook for 2005 is a result of several drivers of investment opportunities for private equity funds in both the United States and Europe. Attractive company valuations will continue to present private equity fund managers with investment opportunities over the next year. In addition, European and U.S. interest rates near 50-year lows, buyout firms can cheaply finance takeovers, while rising stock markets should exist.

Existing long-term investors in private equity will likely benefit from investing across vintage years, as a number of private equity funds should take advantage of the attractive exit environment to make distributions to investors in 2005. Further, new investors will have the opportunity to enter the asset class at an exciting time in private equity by developing relationships with high-quality managers that are expected to raise funds in 2005. For example, Warburg Pincus plans to raise an $8 billion global fund to succeed its Fund VIII, and Blackstone indicates it will raise a similar sized fund in 2005. Carlyle also expects to raise $6.5 billion early this year for a U.S. fund. Meanwhile, Goldman Sachs has completed raising an $8.5 billion fund, which would make it the largest single fund of any private equity firm worldwide.

Factors contributing to the potential increase in private equity investment opportunities in the upcoming year include the continued expansion of the U.S. and global economies, a favorable interest rate environment for financings and better exit opportunities due to an increased appetite for private equity-backed initial public offerings, trade sales and sales to larger financial sponsors. However, private equity firms are likely to encounter increasing competition for transactions as strategic investors and even some hedge funds, who have benefited from an enormous influx of funds over the last year, pursue some of the same deals. Large deals are expected to become more common, as consortiums enable private equity firms to target potentially lucrative arena of large buyout transactions.

Buyout

Expectations for U.S. buyouts in 2005 are somewhat mixed. With much of the private equity universe in fundraising mode, some feel this may encourage firms to focus on realizations rather than buying new assets. In addition, many believe the re-emergence of active strategic buyers and rising interest rates may slow the rapid investment pace. However, the continued availability of cheap financing as well as the capability of buyout funds to join forces to do ever-larger consortium deals, may contribute to another strong showing in the U.S. buyout market.

Within the leveraged buyout space, opportunities exist in the defense sector due to increased government spending and technological advances in information security, personal identification and aerospace. Additionally, buyout managers are showing continued interest in the media sector, particularly in broadcasting and cable television systems. Furthermore, buyout funds remain active in the automotive sector, focusing on investments in components suppliers and automotive aftermarket suppliers/retailers.

U.S. BUYOUT FIRMS LIKELY TO RAISE FUNDS IN 2005	
Apollo Investment Fund	CVC Equity Partners
Brockway Moran	Harvest Partners
Blue Point Capital	HIG Capital Partners
Charlesbank Equity Fund	Madison Dearborn

Venture Capital

Venture capital is likely to provide attractive investment opportunities for investors in 2005 as a number of leading venture capital firms have raised funds in 2004. Investor interest in information technology funds has rebounded significantly after a lean two-year period, and more than half the IT-focused funds in the U.S. are planning to return to the market in 2005.

Within the venture capital arena, investment opportunities exist in both life sciences and information technology. Emerging areas such as stem cell research and nanotechnology are likely to see increased investor interest in the coming year, though investments are likely to be limited until more basic R&D is completed. Life sciences sub-sectors such as medical devices, biotechnology and pharmaceuticals should see continued interest. Other new promising areas of investment include energy, clean technology and financial services.

U.S. VC FIRMS LIKELY TO RAISE FUNDS IN 2005	
Bay Partners	Redpoint Ventures
Matrix Partners	Sigma Partners
Mayfield Fund	Summit Accelerator Fund
Menlo Ventures	

International Private Equity

European private equity, especially leveraged buyouts, is likely to provide attractive investment opportunities for investors in 2005. Western Europe is becoming an increasingly important buyout market as deregulation, an excess of undervalued companies and a trend towards deconglomeration are all working in favor of leveraged buyout deal flow. Deal volume in Europe is expected to remain robust with large companies requiring restructuring in order to compete in the global economy and family businesses discovering private equity as an option. U.S. investors have also been focusing attention on European funds. Though there has always been an interest in large, established, pan-European vehicles, investors are increasingly considering middle market and country-specific funds as the large buyout space has become more competitive. By operating in a less efficient market not driven entirely by auctions and by targeting the purchase of smaller firms, middle market buyout firms are viewed as more likely to add value to portfolio companies, even in more difficult investing environments. Asian markets, especially Japan, South Korea and China, are also expected to receive increasing attention from buyout firms in the coming year.

BUYOUT	VENTURE
BC Partners	Amadeus Capital
CVC European Equity Partners	Frontiers Capital
ECI Partners	Kennet Venture Partners
Phoenix Equity Partners	

financial statements

3. Financial Statements

3.1 Consolidated Financial Statements for Absolute Private Equity Ltd.

Consolidated statement of assets and liabilities as of		December 31, 2004	December 31, 2003
Assets			
	Note	**USD**	**USD**
Cash and cash equivalents	4	168'770'478	194'045'793
Tax receivables	5	43'359	26'447
Investments at fair value	6	465'897'792	447'815'430
Receivables for investments redeemed	7	48'719'532	-
Investment in associate			
Absolute Investment Services	8	70'283	-
Prepaid expenses and accrued income		50'964	27'760
Total assets		**683'552'408**	**641'915'430**
Liabilities			
Accrued management fees due to related parties		3'177'433	2'774'589
Accrued other expenses		319'713	269'555
Other payables		2'285	15'614
Current capital tax liability		85'218	59'649
Total liabilities		**3'584'649**	**3'119'407**
Net assets		**679'967'759**	**638'796'023**
Analysis of Net Assets			
Share capital	9	324'398'523	324'398'523
Additional paid-in capital		305'057'781	305'057'781
Accumulated increase in net assets		44'074'713	3'921'989
Accumulated other comprehensive income		6'436'742	5'417'730
Net assets	**9**	**679'967'759**	**638'796'023**
Net asset value per share based on 11,432,101 bearer shares outstanding	**9**	**59.48**	**55.88**

See accompanying notes to consolidated financial statements.

Consolidated statement of operations
for the years ended

	Note	December 31, 2004	December 31, 2003
Investment Income			
		USD	**USD**
Interest income		1'888'073	814'457
Dividend income		-	289'526
Gain on sale on participation in Carry Ltd.		-	2'840'097
Other income		-	23'820
Total income		**1'888'073**	**3'967'900**
Expenses			
Management fees to related parties	10/12	-12'075'111	-11'089'465
Administration and custody fees	11	-242'171	-778'678
Directors fees	12	-113'243	-183'302
Bank and broker expenses		-139'845	-116'774
Professional fees		-791'794	-469'786
Interest expenses		-	-108
Capital taxes		-80'394	-77'714
Miscellaneous expenses		-1'282'534	-1'140'982
Minority interests (Carry Ltd.)		-	-142'276
Total expenses		**-14'725'092**	**-13'999'085**
Net investment loss		**-12'837'019**	**-10'031'185**
Realized and unrealized gain / (loss) from investments and foreign currency			
Realized gains on investments	6	49'738'962	15'909'622
Realized losses on investments	6	-16'208'570	-8'058'199
Net realized gain from investments		33'530'392	7'851'423
Net realized and unrealized foreign exchange loss		-983'786	-1'043'565
Unrealized gains on investments	6	35'592'274	43'317'174
Unrealized losses on investments	6	-15'149'137	-9'122'800
Net increase in unrealized appreciation on investments		20'443'137	34'194'374
Net realized and unrealized gain from investments and foreign currency		52'989'743	41'002'232
Net increase in net assets from operations		**40'152'724**	**30'971'047**

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in net assets

for the years ended	December 31, 2004	December 31, 2003
	USD	**USD**
Increase in net assets from operations		
Net investment loss	-12'837'019	-10'031'185
Net realized gain from investments	33'530'392	7'851'423
Net realized and unrealized foreign exchange loss	-983'786	-1'043'565
Net increase in unrealized appreciation on investments	20'443'137	34'194'374
Net increase in net assets resulting from operations	40'152'724	30'971'047
Translation adjustment	1'019'012	1'229'489
Total increase	41'171'736	32'200'536
Net assets		
Beginning of year	638'796'023	606'595'487
End of year	***679'967'759***	***638'796'023***

See accompanying notes to consolidated financial statements.

Consolidated statement of cash flows for the years ended

	Note	December 31, 2004 USD	December 31, 2003 USD
Cash flows from operating activities:			
Net increase in net assets from operations		40'152'724	30'971'047
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:			
Proceeds on disposals of investments	6	215'901'221	347'334'732
Return of capital from investments	6	40'279'411	24'331'338
Purchase of investments	6	-220'289'465	-255'513'253
Realized gains on investment	6	-49'738'962	-15'909'622
Realized losses on investment	6	16'208'570	8'058'199
Unrealized gains on investment	6	-35'592'274	-43'317'174
Unrealized losses on investment	6	15'149'137	9'122'800
Net realized and unrealized foreign exchange losses		983'786	1'043'565
Minority interests		0	142'276
Changes in operating assets and liabilities:			
Change in accounts receivables and other assets		-48'759'648	334'607
Change in accounts payable and other liabilities		465'242	-1'764'204
Net cash flows (used in)/provided by operating activities		-25'240'258	104'834'311
Cash flows from investing activities:			
Investment in associate Absolute Investment Services Ltd.	8	-70'283	0
Net cash flows used in investing activities		-70'283	0
Exchange effect on cash and cash equivalents		35'226	80'307
Net (decrease)/increase in cash and cash equivalents		-25'275'315	104'914'618
Cash and cash equivalents at the beginning of the year		194'045'793	89'131'175
Cash and cash equivalents at the end of the year		**168'770'478**	**194'045'793**

See accompanying notes to consolidated financial statements.

Consolidated financial highlights for the years ended

	December 31, 2004	December 31, 2003
	USD	**USD**
Per share operating performance: *		
Number of shares at the beginning of the period	11'432'101	11'432'101
Number of shares at the end of the period	11'432'101	11'432'101
Weighted average number of shares end of period	11'432'101	11'432'101
Net asset value, beginning of period	55.88	53.06
Income from investment operations:		
- Net investment loss	-1.12	-0.88
- Net realized and unrealized gain on investment transactions and foreign currency	4.64	3.59
Total from investment operations	3.51	2.71
- Change in accumulated other comprehensive income	0.09	0.11
Total distributions	0.09	0.11
Net asset value, end of period	**59.48**	**55.88**
Total investment return on a net asset value basis	6.29%	5.11%
Supplemental data:		
Net assets, end of period (in millions)	679.97	638.80
Ratio of expenses to average net assets **	2.23%	2.25%
Ratio of net investment loss to average net assets **	-1.95%	-1.61%

* The Company has only one class of shares (bearer shares).

** These ratios do not reflect the Company's proportionate share of income and expenses of the underlying investee funds.

See accompanying notes to consolidated financial statements.

Notes to the consolidated financial statements for the period from January 1, 2004 to December 31, 2004

(1) Organization and business activity

ABSOLUTE PRIVATE EQUITY Ltd. (the "Company") was incorporated on July 19, 2000 and is duly organized and existing under the laws of Switzerland. The Company is an investment company listed on the SWX Swiss Exchange, which primarily conducts its business through its wholly owned investment company subsidiaries, Privatissimo Ltd., Private Seven Ltd., Private Invest Ltd. and Barry Ltd. as well as, until May 19, 2003 the partially owned subsidiary Carry Ltd., Cayman Islands (together the "Subsidiaries"). The Company and the Subsidiaries have no employees. As of December 31, 2004, Credit Suisse Group held 18.10% of the shares of the Company.

The Company seeks to earn above average returns for its investors, through investments purchased by its Subsidiaries. The Company will, with the advice of the Investment Manager under the investment management agreements, invest the assets of the Subsidiaries with underlying private equity funds, and, in some circumstances directly in private equity investments on a side-by-side basis with such funds ("direct co-investments") as well as other non-traditional investment funds.

The Company may invest through its Subsidiaries in listed securities such as bonds and stocks until the commitments to the various underlying private equity funds are called by those funds. The Board of Directors of the Company may hedge such investments at its discretion.

The Company's Investment Guidelines have been changed (valid as of June 30, 2003) in order to enlarge the investment opportunities to be able to flexibly adapt it to prevailing market conditions. As a result of these changes, the Company now has the ability to invest in additional alternative investments such as managed futures and default swaps.

A listing of the Company's subsidiaries is as follows:

PRIVATISSIMO Ltd., PRIVATE SEVEN Ltd. and PRIVATE INVEST Ltd. are duly organized and existing under the laws of the Cayman Islands. These entities invest in private equity investment vehicles and were incorporated on July 31, 2000 with a share capital of USD 50,000 each.

BARRY Ltd. is duly organized and existing under the laws of the Cayman Islands, and primarily invests in a portfolio of securities, financial instruments and partnership interests. The company was incorporated on July 31, 2001 with a share capital of USD 50,000.

The following entities are considered related parties whose results are not consolidated into the Company's financial statements:

PEARL INVESTMENT MANAGEMENT Ltd., Nassau, Bahamas is a company duly organized and existing under the laws of the Bahamas and is a wholly owned subsidiary of Credit Suisse Group, Zurich, a Swiss bank. It acts as investment manager (the "Investment Manager") and is responsible for investing the assets of the Subsidiaries of the Company in accordance with the investment objectives and policies.

ABSOLUTE INVESTMENT SERVICES Ltd., Zurich, is a newly founded company, which will provide all Absolute Companies with management, marketing and administrative services, starting January 1, 2005. The company was incorporated on November 19, 2004 with a share capital of CHF 250,000. Absolute Private Equity holds 32% (CHF 80,000) of the share capital of CHF 250,000. Absolute Managers Ltd. and Absolute Europe hold 18% each and Absolute Managers Ltd. holds the remaining 32%. All these companies are related party investment companies.

The following entities provide services to the Company:

MERCHANT CAPITAL, Inc., a related party, is a U.S. corporation organized under the laws of the state of Delaware and an indirect subsidiary of CREDIT SUISSE FIRST BOSTON, a Swiss bank, and acts as investment advisor (the "Investment Advisor") and supports the Investment Manager in selecting and monitoring private equity investments made through Privatissimo Ltd. and Private Seven Ltd. The Investment Advisor receives no direct compensation from the Company and its Subsidiaries.

NORTHPORT PARTNERSHIP MANAGEMENT LLC, Inc., a non-related U.S. corporation organized under the laws of the state of New Jersey (the "Administrator"), provides financial, accounting and administrative services to Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd. under the administrative services agreements.

CITCO FUND SERVICES (Curaçao) NV, a non-related Netherland Antilles corporation (the "Administrator") provides financial, accounting and administrative services to Barry Ltd. under the administrative service agreements.

(2) Basis of presentation

The consolidated financial statements include Absolute Private Equity Ltd., Zug and its Subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). They also comply with the provisions of the Swiss Law and the accounting principles of the Additional Rules for the Listing of Investment Companies issued by the SWX Swiss Exchange.

Although the Company is domiciled in Switzerland, the consolidated financial statements are presented in US Dollars ("USD"), which is considered the Company's functional currency given that the Company holds the vast majority of its assets (investments) and liabilities in USD. Shares of the Company are quoted on the SWX Swiss Exchange in USD and the net asset value per share is disclosed in USD.

(3) Summary of significant accounting policies

(3.1) Foreign currency translation

The assets and liabilities of consolidated entities whose functional currency is other than the USD are translated at the exchange rates applicable at each balance sheet date. The statements of operations and cash flows of such consolidated entities are translated at the average exchange rates

during the year. Resulting translation adjustments are included as a component of accumulated other comprehensive income in shareholders' equity.

Transactions in currencies other than each consolidated entity's functional currency are recorded at the rate of exchange at the transaction date. Monetary assets and liabilities are translated to their functional currency at the rate of exchange existing at the balance sheet date. Resulting exchange differences are recognized in the statement of operations.

The following exchange rates were applied during consolidation:

	Period	Asset and liability items (December 31)	For profit and loss and cash flow items (average rate for the year ended December 31)
1 USD to CHF [1]	2003	1.2406	1.3446
1 USD to CHF	**2004**	**1.1383**	**1.2424**
or			
1 CHF to USD	2003	0.8061	0.7437
1 CHF to USD	**2004**	**0.8785**	**0.8049**

[1] CHF = Swiss Franc

(3.2) Valuation of investments

Securities for which quotations are not readily available are valued at fair values as determined in good faith by the Investment Manager of the underlying investee funds, in conformity with the fund's prospectus, which the Company believes to be an appropriate estimate of fair value. The Board of Directors takes into consideration the fair value as established by the Investment Manager supported by financial information and approves the values. These investments are initially valued at cost, with subsequent adjustments to the fair values determined in this manner.

Due to the inherent uncertainty of the valuation of these assets, the estimated values may differ significantly from the values that would have been recorded had a ready market for these investments existed. These differences could be material.

Changes in the fair value of investments are recognized in the consolidated statements of operations for the period as unrealized gains or losses. Any additional gain or loss on sale arising from the difference between the sales price and the carrying amount of the investment is recognized in the consolidated statement of operations as a realized gain or loss.

(3.3) Valuation of investments in associates

The Company records investments in associates in which it is able to exercise significant influence using the equity method of accounting.

(3.4) Cash and cash equivalents

Cash and cash equivalents include all demand deposits held in banks and certain highly liquid investments with maturities of 90 days or less.

(3.5) Treasury shares

The consideration paid for treasury shares, net of transaction costs, are deducted from shareholders' equity.

(3.6) Recognition of income

Interest income is recognized in the consolidated statement of operations as it accrues, taking into account the effective yield on the asset.

(3.7) Income taxes

The Company has the status of a holding company for Swiss income tax purposes and, as such, it benefits from the participation exemption at the Swiss federal level and from the complete exemption at the cantonal and communal level. The applicable federal income tax rate is 8.5%. The Subsidiaries in the Cayman Islands are not subject to any income taxes.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributed to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. A valuation allowance is recorded to reduce deferred tax assets to amounts expected to be realized. The consolidated financial statements do not take into consideration the deferred taxes arising on the undistributed earnings of the Subsidiaries as management does not currently intend to repatriate any foreign earnings.

The tax effects of temporary differences and carryforwards that give rise to significant components of deferred tax assets and liabilities are as follows:

	2004 USD (in thousands)	2003 USD (in thousands)
Deferred tax assets:		
Net operating loss carryforwards	27,764	24,657
Less: valuation allowance	-26,876	-24,556
Deferred tax liabilities:		
Investments in consolidated subsidiaries	-888	-101
Net deferred tax assets	**0**	**0**

Reconciliation from the Swiss federal statutory income tax rate of 8.5% to the effective income tax rate is as follows:

	2004 USD (in thousands)	2003 USD (in thousands)
Tax at the statutory rate	3,413	2,633
Foreign tax less than Swiss statutory rate	-5,733	-7,480
Increase in valuation allowance	2,320	4,847
Income tax expense	**0**	**0**

For the years ended December 31, 2004 and 2003, no current income taxes or provisions were recognized. As of December 31, 2004, the Company had Swiss federal net operating loss carryforwards of approximately USD 327 million (CHF 372 million), as of December 31, 2003, USD 290 million (CHF 360 million). These carryforwards generally begin expiring as follows:

	CHF	Expiry date
Loss from financial year 2000/2001	-118,840,749	31.12.2008
Loss from financial year 2003	-202,222,515	31.12.2009
Loss from financial year 2003	-38,790,727	31.12.2010
Loss from financial year 2004	-11,962,629	31.12.2011
Total loss carry forward of Absolute Private Equity Ltd., Zug	**-371,816,620**	

Due to its history of operating losses, management has determined it is more likely than not, that they will not be fully realized since the utilization of deferred tax assets depends on future profits, which are not assured. Therefore, the Company has provided a valuation allowance on the net deferred tax assets.

(3.8) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Notes to the consolidated statement of assets and liabilities and statement of operations

(4) Cash and cash equivalents

	December 31, 2004	December 31, 2003
	USD	USD
Cash at banks (current accounts)	68,992,399	181,314,915
Cash at banks (Credit Suisse, a related party)	236,117	207,059
Time deposits (Credit Suisse, a related party)	1) 99,541,962	2) 12,523,819
Cash and cash equivalents	**168,770,478**	**194,045,793**

1) Description	Interest rate	Original currency	Presentation
Time deposit on call	0.300%	CHF 560,000	USD 491,962
Time deposit on call	1.850%	USD 1,750,000	USD 1,750,000
Time deposit on call	2.125%	USD 16,000,000	USD 16,000,000
Time deposit on call	2.000%	USD 5,300,000	USD 5,300,000
Time deposit on call	2.125%	USD 21,000,000	USD 21,000,000
Fixed time deposit (31.01.05)	2.130%	USD 10,000,000	USD 10,000,000
Fixed time deposit (24.01.05)	2.230%	USD 45,000,000	USD 45,000,000

2) Description	Interest rate	Original currency	Presentation
Time deposit on call	0.130%	CHF 960,000	USD 773,819
Time deposit on call	0.700%	USD 11,750,000	USD 11,750,000

(5) Tax receivables

Tax receivables are composed of the following items:

	December 31, 2004	December 31, 2003
	USD	USD
Withholding taxes Switzerland	43,359	26,447
Tax receivables	**43,359**	**26,447**

(6) Investments

The Company has investments in several funds. All investments are denominated in USD and held with Citco Global Custody (N.A.) N.V. The following table is an analysis of the investment portfolio, sorted by managed segments, which provides the details of realized and unrealized gains and losses during 2004.

	Historical cost of investments 1-Jan-04	Market value of investments 1-Jan-04	Purchase of investments	Return of Capital	Sale of investments			Change in unrealized gains/losses	Market value of investments 31-Dec-04	% of NAV	Historical cost of investments 31-Dec-04
					Historical cost of inv. sold	Realized gains	Realized losses				
Investments	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**		**USD**
Absolute Fiduciary Global Opp. Part., LP	48,458,081	56,814,464	673,670	-15,659,843	-	22,399,189	-	-11,240,526	30,587,765	4.50%	33,471,908
AC Private Equity Invest, LP	6,489,337	5,146,326	2,076,574	-	-428,811	1,019,835	-386,447	571,175	7,365,264	1.08%	8,137,100
ADM Maculus Fund, LP	-	-	6,525,000	-	-	-	-	-261,098	6,263,902	0.92%	6,525,000
Bay Partners X, LP	1,948,077	1,687,897	1,600,000	-150,444	-	-	-150,444	-495,136	2,642,317	0.39%	3,397,633
Clarity Partners, LP	3,534,607	2,547,984	119,711	-	-	8,302	-145,652	135,030	2,802,725	0.41%	3,654,318
CSFB Fund VII Investor, LP	46,462,185	59,681,837	35,473,460	-4,391,278	-8,175,215	15,183,862	-2,539,641	-805,783	81,783,021	12.03%	69,369,152
CSFB MMV Investor, LP	26,686,103	25,899,511	21,158,819	-3,693,458	-5,319,527	6,631,449	-739,227	5,134,357	43,179,702	6.35%	38,831,937
DLJ Merchant Banking Partners III, LP	8,917,909	9,238,045	2,427,078	-683,007	-1,892,004	2,992,287	-	149,385	9,239,497	1.36%	8,769,976
DLJ Venture Partners II, LP	3,159,749	3,744,954	1,777,849	-146,186	-229,280	486,180	-147,358	-94,958	5,052,379	0.74%	4,562,132
GRP II, LP	5,019,655	5,024,177	2,343,558	-372,030	-48,553	7,505	-372,030	155,537	7,102,689	1.04%	6,942,630
PAI Europe III-B	4,073,204	5,054,968	3,084,026	-536,227	-1,696,361	-	-208,743	3,786,183	9,692,589	1.43%	4,924,642
PAI Europe III-B3	4,062,533	5,010,324	3,056,147	-531,311	-1,681,078	-	-206,778	3,752,382	9,606,464	1.41%	4,906,291
Warburg Pincus International Partners, LP	61,983,478	75,096,408	56,109,546	-	-12,000,000	525,795	-6,107,762	15,697,448	134,903,402	19.84%	106,093,024
Warburg Pincus Priate Equity VIII, LP	7,523,719	8,471,331	8,000,000	-69,452	-750,000	3,500	-75,365	1,157,068	16,808,947	2.47%	14,704,267
Terra Firma Capital Partners II, L.P.-C	16,941,893	15,316,660	25,514,845	-14,046,175	-	481,058	-2,057,955	4,178,006	30,963,336	4.55%	28,410,563
Private equity Total	245,260,530	278,734,886	169,940,283	-40,279,411	-32,220,829	49,738,962	-13,137,402	21,819,070	397,993,999	58.53%	342,700,573

Investments	Historical cost of investments 1-Jan-04 USD	Market value of investments 1-Jan-04 USD	Purchase of investments USD	Return of Capital USD	Sale of investments: Historical cost of inv. sold USD	Sale of investments: Realized gains USD	Sale of investments: Realized losses USD	Change in unrealized gains/losses USD	Market value of investments 31-Dez-04 USD	% of NAV	Historical cost of investments 31-Dec-04 USD
Absolute Managers Ltd. Ordinary (SWX)	-	-	49,355,076	-	-	-	-	-1,411,636	47,943,440	7.05%	49,355,076
China HealthCare Holdings Ltd. Ordinary	-	-	994,106	-	-	-	-	26,247	1,020,353	0.15%	994,106
Elysium Capital Group LP	50,000,000	49,684,674	-	-	-50,000,000	-	-1,280,468	315,326	-	0.00%	-
Platypus Macro Fund	20,000,000	19,780,000	-	-	-	-	-	-840,000	18,940,000	2.79%	20,000,000
Custom Portfolio PCC Ltd (Guer Global Opp. Portfolio)	100,150,000	99,615,870	-	-	-100,150,000	-	-1,790,700	534,130	-	0.00%	-
Absolute return Total	170,150,000	169,080,544	50,349,182	-	-150,150,000	-	-3,071,168	-1,375,933	67,903,793	9.99%	70,349,182
Grand Total	**415,410,530**	**447,815,430**	**220,289,465**	**-40,279,411**	**-182,370,829**	**49,738,962**	**-16,208,570**	**20,443,137**	**465,897,792**	**68.52%**	**413,049,755**

Proceeds on disposals of investments: 215,901,221

Unrealized gains: 35,592,274

Unrealized losses: -15,149,137

The Company has committed to invest in certain private equity funds and investments. Such commitments are payable upon demand at the request of the fund's administrator. The remaining capital commitments as per December 31, 2004 were as follows:

	Capital commitments Dec 31, 2004 USD	Remaining capital commitments Dec 31, 2004 USD
Absolute Fiduciary Global Opportunities Partners, LP	50'000'000	16'528'091
AC Private Equity Invest, LP	10'000'000	1'862'900
ADM Maculus Fund, L.P.	15'000'000	8'475'000
Bay Partners X, LP	8'000'000	4'602'367
Clarity Partners, LP	10'000'000	6'345'682
CSFB Fund VII Investor, LP	140'000'000	70'630'849
CSFB MMV Investor, LP	74'925'000	36'093'064
DLJ Merchant Banking Partners III, LP	15'000'000	6'230'025
DLJ Venture Partners II, LP	7'111'396	2'549'264
GRP II, LP	15'000'000	8'057'370
PAI Europe III-B	12'646'549	7'721'907
PAI Europe III-B3	12'532'523	7'626'233
Warburg Pincus International Partners, LP	200'000'000	93'906'976
Warburg Pincus Private Equity VIII, LP	25'000'000	10'295'733
Terra Firma Capital Partners II, L.P.-C	97'942'146	69'531'581
Total	**693'157'614**	**350'457'042**

The principle investment objectives of investees exceeding 5% of the Company's net asset value as per December 31, 2004 are as follows:

Fund	Investment Focus
CSFB Fund VII Investor, LP	Venture and growth capital and buyouts in a broad range of industries
CSFB Middle Market Value Investor, LP	Focus on middle market buyouts in the US
Warburg Pincus International Partners, LP	Venture capital, buyouts and recapitalizations in a broad range of industries world wide
Absolute Managers, Ltd.	Provides initial capital to early-stage hedge funds that are managed by experienced hedge fund managers. Absolute Managers Ltd is a investment company listed on the SWX Swiss Exchange.

(7) Receivables for investments redeemed

	December 31, 2004	December 31, 2003
	USD	USD
Elysium Capital Group LP	48,719,532	0
Receivables for investments redeemed	**48,719,532**	**0**

(8) Investment in associate

The Company has the following investment in an associate:

	Capital paid-in Dec 23, 2004	Share of profit of associate	Net asset value Dec 31, 2004
	USD	USD	USD
Absolute Investment Services AG, Zurich	70,283	0	70,283

Absolute Private Equity Ltd. holds 32% of the share capital of Absolute Investment Services of CHF 250,000. The newly founded associate will provide all Absolute Companies with management, marketing and administrative Services as of January 1, 2005.

(9) Share capital and net asset value

The share capital as of December 31, 2004 consists of 11,432,101 bearer shares with a par value of CHF 50 each, fully paid in. The following is a calculation of the net asset value of the Company as of December 31, 2004 based on the consolidated financial statements:

	December 31, 2004	December 31, 2003
	USD	USD
Net assets	679,967,759	638,796,023
Total number of shares outstanding	11,432,101	11,432,101
Net asset value per share	**59.48**	**55.88**

The nominal value and the number of shares are:

	December 31, 2004		December 31, 2003	
	Total nominal value CHF	Number of shares	Total nominal value CHF	Number of shares
Share capital (bearer shares)	571,605,050	11,432,101	571,605,050	11,432,101
	USD		USD	
Translated at the historical exchange rate	324,398,523	11,432,101	324,398,523	11,432,101

The Company purchased 1,263,180 own shares from Credit Suisse (9.95% of share capital) on October 29, 2002 at a price of USD 47.20 per share (for a total amount of USD 59,622,096), The shareholders at the annual general meeting as of June 11, 2003 decided to reduce the share capital in the amount of CHF 63,159,000 (USD 42,582,929) by liquidating the 1,263,180 shares. The decrease in capital was effective in the commercial register as of September 11, 2003.

At the annual general meeting as of June 11, 2003, the shareholders resolved to issue another authorized capital of a maximum of nominal CHF 285,802,525 for a period of two years from the date of entry to the commercial register.

(10) Management fees

According to the Investment Management Agreements between the Subsidiaries and the Investment Manager, the management fees are based on the net asset value of the Subsidiaries at an aggregate annual rate of total 1.8% accrued as of the end of each month. The management fees are paid quarterly in arrears. For Barry Ltd., the Investment Manager is entitled to a performance fee of 10% of the annual appreciation of the net asset value of the Subsidiaries computed as of December 31 each year. Any previous losses shall be recouped before payment of the fee. For Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd. the Investment Manager is entitled to a performance fee, based on the distribution during the business year.

For the year ended December 31, 2004, management fees amounting to USD 12,075,111 were charged (previous year: USD 11,089,465).

(11) Administration fees and custody fees

The New Jersey corporation Northport Partnership Management, Inc., Admininstrator of Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd., is entitled to annual fees of USD 160'000, USD 90'000 and USD 130'000 respectively from the three afore-mentioned Subsidiaries. These fees are subject to a yearly increase of 4%. This revised fee schedule took effect on October 1, 2004; previously the Administrator was entitled to an annual fee of USD 200'000 from each of the three Subsidiaries.

With regard to Barry Ltd., Citco Fund Services (Curaçao) N.V., incorporated under the laws of the Netherlands Antilles, having its principal office in Curaçao, Netherlands Antilles, is the Administrator. It is entitled to annual fees of 0.05% of Barry Ltd.'s month-end net assets.

The Administrators are in charge of calculating the net asset values, producing financial statements and establishing and maintaining bank, brokerage, custodian and other accounts of the Subsidiaries.

Other notes

(12) Related parties

As indicated in note 1, Credit Suisse is a related party to the Company. One out of three members of the Board of Directors is a member of the executive board of Credit Suisse.

Overview of significant payments to related parties:

Payer	Recipient	Reason for payment	Dec 31, 2004 USD	Dec 31, 2003 USD
Privatissimo Ltd.	Pearl Investment Management Ltd.	Management fees	2,711,525	1,973,920
Private Invest Ltd.	Pearl Investment Management Ltd.	Management fees	3,615,363	2,623,040
Private Seven Ltd.	Pearl Investment Management Ltd.	Management fees	1,430,802	1,072,816
Barry Ltd.	Pearl Investment Management Ltd.	Management fees	4,317,421	5,419,690
Absolute Private Equity Ltd.	Members of the Board	Directors fees	93,243	149,968
Carry Ltd.	Members of the Board	Directors fees	0	5,000
Barry Ltd.	Members of the Board	Directors fees	20,000	28,333

(13) Risks

The Company is exposed to various risks in respect to its investments. A summary of these risks is as follows:

(13.1) Market risk

The markets and certain investment vehicles in which the Company will primarily invest may prove to be highly volatile from time to time as a result of, for example, sudden changes in government policies on taxation and currency repatriation or changes in legislation relating to the level of foreign ownership in companies, and this may affect the price at which the Company may liquidate positions to meet repurchase requests or other funding requirements.

(13.2) Valuation risk

As a result of the timing of when information regarding the price of its various investments and/or from the various companies in which it makes its investments becomes available to the Company, the Company's reported net asset value could fail to accurately state the current aggregate value of the investments of the Company.

(13.3) Reliance on Investment Manager

Quality and execution of management is key to a successful business development. The Company will be relying on the Investment Manager and its ability to evaluate investment opportunities and to further develop the Company's investments. The Investment Manager exercises a central role in the investment decision process. Accordingly the returns of the Company will primarily depend on the performance of the Investment Manager and could be adversely affected by the unfavorable performance of the Investment Manager.

(13.4) Currency risk

Most of the investment activities of the Company and a large portion of the cash and cash equivalents are denominated in USD while the books of Absolute Private Equity Ltd. are kept in CHF. As a result, the Company is exposed to positions measured in currencies other than the functional or reporting currency (USD). However the Company does not intend to hedge against the resulting currency exposure.

(13.5) Credit risk

The Company is furthermore exposed to the risk that counterparties for cash and cash equivalents, investments or other assets fail to discharge their obligation to repay. Due to the diversified structure of the Company's investment portfolio there is no significant concentration of risk.

(13.6) Political and/or regulatory risk

The net asset value of the Company's assets may be affected by uncertainties such as international political developments, changes in governmental policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the Company's assets are invested.

(14) Subsequent events

The Board of Directors authorized the consolidated financial statements for issue on May 9, 2005. The shareholders have the power to amend the consolidated financial statements at their annual meeting.

The Board of Directors is not aware of any other events between the closing date and May 9, 2005 that would materially impact the consolidated financial statements or require disclosure.

3.2 Group Audit Report

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Report of the Group Auditors to the General Meeting of

Absolute Private Equity Ltd., Zug

We have audited the accompanying consolidated statements of assets and liabilities of Absolute Private Equity Ltd. and subsidiaries ("the Company") as of December 31, 2004 and 2003 and the related consolidated statements of operations, cash flows, changes in net assets and the financial highlights for the years ended December 31, 2004 and 2003.

These consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

We conducted our audit in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Absolute Private Equity Ltd. and subsidiaries as of December 31, 2004 and 2003, the result of operations, its cash flows, changes in net assets and financial highlights for the years ended December 31, 2004 and 2003 in conformity with accounting principles generally accepted in the United States of America and comply with Swiss law and the accounting principles of the Additional Rules for the Listing of Investment Companies issued by the SWX Swiss Exchange.

Without qualifying our opinion we draw attention to Notes 1, 3.2 and 6 of the consolidated financial statements, describing the Company's investments. Investments amounting to USD 465,897,792 (68.2% of total assets) as of December 31, 2004, and amounting to USD 447,815,430 (69.8% of total assets) as of December 31, 2003 have been valued at fair values as determined by the Company's Investment Manager and approved by the Board of Directors. We have reviewed the procedures applied in valuing such investments and have inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgment which is not susceptible to independent verification procedures.

KPMG Fides Peat

Hans Stamm
Swiss Certified Accountant
Auditor in Charge

Joachim Holzinger
Swiss Certified Accountant

Zurich, May 9, 2005

KPMG Fides Peat is a subsidiary of KPMG Holding. KPMG Holding, a Swiss corporation, is the Swiss member firm of KPMG International, a Swiss cooperative.

Member of the Swiss Institute of Certified Accountants and Tax Consultants

3.3 Annual Financial Statement for Absolute Private Equity Ltd.

Balance sheet as of		December 31, 2004	December 31, 2003
Assets			
	Note	**CHF**	**CHF**
Current assets			
Cash and cash equivalents		268'772	256'878
Fixed term deposit at Credit Suisse		13'934'438	15'537'051
Current acc. receivable from Barry Ltd.		17'108	17'108
Withholding tax receivables		49'353	32'808
Prepaid expenses and accrued income		7'307	9'631
		14'276'978	15'853'476
Investments			
Private Invest Ltd., Cayman Islands	1	294'725'446	305'156'349
Private Seven Ltd., Cayman Islands	1	140'871'733	140'871'733
Privatissimo Ltd., Cayman Islands	1	369'401'964	369'401'964
Barry Ltd., Cayman Islands	1	1	1
Absolute Investment Services AG	1	80'000	0
		805'079'144	815'430'047
Total assets		819'356'122	831'283'523
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		2'600	19'371
Other payables		223'850	194'851
Current tax liability		97'000	74'000
		323'450	288'222
Shareholders' equity			
Share capital	2	571'605'050	571'605'050
Legal reserves		619'244'242	619'244'242
Other retained losses		-359'853'991	-321'063'264
Net loss for the period		-11'962'629	-38'790'727
		819'032'672	830'995'301
Total liabilities		**819'356'122**	**831'283'523**

Income statement for the periods

	January 1, 2004 to December 31, 2004	January 1, 2003 to December 31, 2003
Income		
	Note	**CHF**	**CHF**
Interest income		138'695	103'369
Gain on sale of Carry Ltd.	1	0	4'303'506
Foreign exchange gains		104'786	137'385
		243'481	4'544'260
Expenses			
Bank and broker expenses		-27'585	-142'326
Other financial expenses		-12'259	-11'954
Foreign exchange losses		-1'326'324	-1'530'121
Directors fees		-115'845	-201'647
Legal and professional fees		-168'089	-165'285
Value adjustment on investment	1	-10'430'903	-37'825'042
Loss on treasury shares		0	-3'183'365
Capital taxes		-99'882	-104'493
General and other expenses		-25'223	-170'754
		-12'206'110	-43'334'987
Loss before income taxes		-11'962'629	-38'790'727
Income taxes		0	0
Net loss for the period		**-11'962'629**	**-38'790'727**

Notes to the financial statements

1) Investments

Name / (Purpose)	Share capital	Percentage held	CHF
Private Invest Ltd., Cayman Islands incorporated July 31, 2000; Investment Company	USD 50'000 USD 1/share	100%	
Carrying amount at December 31, 2001			401'169'409
Valuation adjustment			-81'013'280
Carrying amount at December 31, 2002			320'156'129
Valuation adjustment			-14'999'780
Carrying amount at December 31, 2003			305'156'349
Valuation adjustment			-10'430'903
Carrying amount at December 31, 2004			**294'725'446**
Private Seven Ltd., Cayman Islands incorporated July 31, 2000; Investment Company	USD 50'000 USD 1/share	100%	
Carrying amount at December 31, 2001			235'500'200
Capital surplus repayment (USD 42 mio.)			-63'012'600
Valuation adjustment			-31'615'867
Carrying amount at December 31, 2002			140'871'733
Valuation adjustment			0
Carrying amount at December 31, 2003			140'871'733
Valuation adjustment			0
Carrying amount at December 31, 2004			**140'871'733**
Privatissimo Ltd., Cayman Islands incorporated July 31, 2000; Investment Company	USD 50'000 USD 1/share	100%	
Carrying amount at December 31, 2001			488'536'800
Capital surplus repayment (USD 12 mio.)			-18'003'600
Valuation adjustment			-78'305'974
Carrying amount at December 31, 2002			392'227'226
Valuation adjustment			-22'825'262
Carrying amount at December 31, 2003			369'401'964
Valuation adjustment			0
Carrying amount at December 31, 2004			**369'401'964**

1) Investments (cont.)

Name / (Purpose)	Share capital	Percentage held	CHF
Barry Ltd., Cayman Islands incorporated July 31, 2001; Investment Company	USD 50'000 USD 1/share	100%	
Carrying amount at December 31, 2001			1
Carrying amount at December 31, 2002			1
Carrying amount at December 31, 2003			1
Carrying amount at December 31, 2004			**1**
Carry Ltd., Cayman Islands incorporated July 31, 2001; Investment Company	USD 50'000 USD 1/share	0%	
Carrying amount at December 31, 2001			25'182
Carrying amount at December 31, 2002			25'182
Sale of investment Carry Ltd.			-25'182
Carrying amount at December 31, 2003			**0**

Further, the company sold its 50% interest in Carry Ltd. to Absolute Managers Ltd. effective May 19, 2003 for USD 3'350'000. This investment was sold at a price determined based on a fairness opinion provided by Deloitte & Touche AG.

Absolute Investment Services Ltd., Zurich incorporated November 19, 2004; Service Company	CHF 250'000 CHF 100/share	32%	
Purchase of investment			80'000
Carrying amount at December 31, 2004			**80'000**
Summary of all investments:			
Total investments at December 31, 2001			1'125'231'592
Total capital surplus repayments			-81'016'200
Total valuation adjustments			-190'935'121
Carrying amount at December 31, 2002			853'280'271
Valuation adjustments			-37'825'042
Sale of investment Carry Ltd.			-25'182
Carrying amount at December 31, 2003			815'430'047
Valuation adjustments			-10'430'903
New investment Absolute Investment Services Ltd.			80'000
Total investments at December 31, 2004			**805'079'144**

As of December 31, 2004 all investments were held by these subsidiaries. A list of further details of these investments are set out in note 6 to the consolidated financial statements of Absolute Private Equity Ltd. as of December 31, 2004.

The values of the investments have been adjusted to reflect the net asset value of the subsidiaries at period end.

2) Share capital

	December 31, 2004		December 31, 2003	
Name / (Purpose)	**Total nominal value CHF**	**Number of shares**	**Total nominal value CHF**	**Number of shares**
Share capital (bearer shares)	571'605'050	11'432'101	571'605'050	11'432'101
Total share capital	**571'605'050**	**11'432'101**	**571'605'050**	**11'432'101**

All bearer shares are entitled to dividend.

The Company purchased 1,263,180 own shares from Credit Suisse (9.95% of share capital) as per October 29, 2002 at a price of USD 47.20 per share (for a total amount of USD 59,622,096). The shareholders at the annual general meeting as of June 11, 2003 decided to reduce the share capital in the amount of CHF 63,159,000 (USD 42,582,929) by liquidating the 1,263,180 shares. The decrease in capital was effective in the commercial register as of September 11, 2003.

At the annual general meeting as of June 11, 2003, the shareholders resolved to issue another authorized capital of a maximum of nominal CHF 285,802,525 for a period of two years from the date of entry to the commercial register.

3) Significant shareholders

As of December 31, 2004, Credit Suisse Group held 18.10 % of the shares of Absolute Private Equity Ltd.

4) Further disclosures according to Art. 663b of the Swiss Code of Obligations

Dr. Peter Derendinger resigned per June 15, 2004 from his function as member of the Board of Directors. At the Annual General Meeting as of June 15, 2004 Dr. Kurt Arnold has been elected as member of the Board of Directors.

There are no further facts which require disclosure in accordance with Art. 663b of the Swiss Code of Obligations.

3.4 Holding Company Audit Report

KPMG Fides Peat
Audit Financial Services
Badenerstrasse 172
CH-8004 Zurich

P.O. Box
CH-8026 Zurich

Telephone +41 44 249 31 31
Fax +41 44 249 23 19
Internet www.kpmg.ch

Report of the Statutory Auditors to the General Meeting of

Absolute Private Equity Ltd., Zug

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Absolute Private Equity Ltd. for the year ended December 31, 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We draw attention to note 1 to the financial statements, describing the Company's investments. The Company invested in subsidiaries with a total carrying amount of CHF 805,079,144 (prior year: CHF 815,430,047), which primarily investing in private equity investments. Their fair values have been determined by the Investment Manager and approved by the Board of Directors. We have reviewed the procedures applied in valuing such investments and have inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgement which is not susceptible to independent verification procedures.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat

Hans Stamm
Swiss Certified Accountant
Auditor in Charge

Joachim Holzinger
Swiss Certified Accountant

Zurich, May 9, 2005

Enclosure:
- Financial statements (balance sheet, income statement and notes)

KPMG Fides Peat is a subsidiary of KPMG Holding. KPMG Holding, a Swiss corporation, is the Swiss member firm of KPMG International, a Swiss cooperative.

Member of the Swiss Institute of Certified Accountants and Tax Consultants

corporate governance

4. Corporate Governance

4.1 Group Structure and Shareholders

4.1.1 Group Structure

On page 63 of this annual report, please find a graphic illustration of the structure of the Absolute Private Equity Ltd. (the "Company") group, which does not include any other listed companies than Absolute Private Equity Ltd.

The shares of Absolute Private Equity Ltd. (Swiss security number 1'111'333) are listed on the SWX Swiss Exchange. The market capitalisation amounts to USD 491'580'343.

The Company operates through its wholly owned subsidiaries Privatissimo Ltd., Private Seven Ltd., Private Invest Ltd. and Barry Ltd. (the "Subsidiaries"), all exempted companies organized and existing under the laws of the Cayman Islands.

Privatissimo Ltd.'s, Private Seven Ltd.'s, Private Invest Ltd.'s and Barry Ltd.'s share capital is USD 50'000 each, divided into 50'000 redeemable, voting, participation shares of USD 1.00 par value.

4.1.2 Significant shareholders

On December 31, 2004, Credit Suisse Group owned, through its subsidiary Credit Suisse in its function as market maker and through other affiliates, 2'068'793 shares, which represented 18.10% of the voting rights in the share register. Credit Suisse is also the sponsor of the Company and there are various links between the Company and Credit Suisse Group.

4.1.3 Cross-shareholding

No cross-shareholdings are reported as of December 31, 2004.

4.2 Capital Structure

4.2.1 Capital

The ordinary capital amounts to CHF 571'605'050, divided into 11'432'101 bearer shares with a par value of CHF 50, and is fully paid in. The authorized capital as of December 31, 2004 is CHF 285'802'525. No conditional capital exists.

4.2.2 Authorized and conditional capital in particular

According to article 4a of the Articles of Association (which can be inspected at the Company's website www.absoluteprivateequity.ch), the Board of Directors is authorized to raise the share capital in the maximum amount of CHF 285'802'525 by issuance of 5'716'050 fully paid in bearer shares with a par value of CHF 50. The Board of Directors can determine the issue price, the date of dividend authorisation as well as the kind of contribution.

Every shareholder has the right to participate in the authorized capital when issued.

However, the Board of Directors has the authorization to withdraw the subscription rights from the existing shareholders and allocate it to third parties, if such new shares are used to finance acquisitions of target companies which pursue an identical or similar objective as the Company, or participations in such target companies, or if the Company intends to take over such a target company by exchange of shares.

This authorized capital has to be raised no later than two years after the date of the inscription of the authorized capital in the companies' register. Consequently, the capital has to be raised before September 11, 2005.

4.2.3 Changes of capital

The capital was reduced by CHF 63'159'000 which corresponds to 1'263'180 shares of a par value of CHF 50 each. As a result of this reduction the share capital was decreased from previously CHF 634'764'050 to 571'605'050. The decrease in capital was effective in the commercial register as of September 11, 2003.

These 1'263'180 shares were purchased by the Company through a share-buy-back.

The Company's capital structure during the previous three years developed as follows:

	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004
	CHF	CHF	CHF	CHF
Share Capital	634’764’050	634’764’050	571’605’050	571’605’050
Reserves	634’764’050	634’764’050	619’244’242	619’244’242
Retained Earnings	-118’840’749	-321’063’264	-359’853’991	-371’816’620

4.2.4 Shares

There are 11'432'101 bearer shares outstanding, each with a par value of CHF 50. According to article 11 of the Articles of Association, each share carries one voting right. There are no preferential rights or similar rights. The entire ordinary capital is paid in.

4.2.5 Bonus certificates and participation certificates

The Company has no bonus or participation certificates outstanding as of December 31, 2004.

4.2.6 Limitations on transferability and nominee registrations

There are no transfer restrictions whatsoever.

4.2.7 Convertible bonds and options

The Company has no convertible bonds or options outstanding as of December 31, 2004.

4.3 Board of Directors

4.3.1 Members of the Board of Directors

All members of the Board of Directors are non-executive. The Company does not have a Management Board ("Geschäftsleitung") and does not employ personnel.

Thomas Amstutz, Chairman of the Board of Directors, Swiss Citizen

Since his apprenticeship with Credit Suisse Schaffhausen in 1978, he has been holding a variety of management positions within Credit Suisse Group. In 1987, he was appointed Managing Director of CSFB Geneva, Head of Foreign Exchange / Precious Metals Options. Between 1991 and 1996 he held different positions within Credit Suisse in Zurich, before heading the Sales and Trading department in Frankfurt. In 1999 he was appointed Member of the Executive Board of Credit Suisse Private Banking and since August 2002 he is Member of the Executive Board of Credit Suisse Financial Services and Head of the Division Investment Management. Credit Suisse and its affiliates are significant shareholders of Absolute Private Equity Ltd. (see section 4.1.2).

Thomas Amstutz is CEO and Chairman of the board of directors of Absolute Investment Services Ltd.

Thomas Amstutz is member of the board of directors of the following companies: Absolute Invest AG, SIS Swiss Financial Services Group AG, Zurich and some Swiss private companies.

He holds no permanent management or consultancy functions for interest groups, official functions or political posts.

Thomas Amstutz holds the position of Chairman of the board of directors of the following listed Swiss investment companies:

Absolute US Ltd.
Absolute Europe Ltd.
Absolute Managers Ltd.

Dr. Kurt Arnold, Member of the Board of Directors, Swiss Citizen

Kurt Arnold graduated from the University of St. Gallen and Paris, holds a degree as Dr. oec. HSG. From 1975 to 1983 he was director of the Cantonal Fiscal Department of Aargau and joined Credit Suisse in 1983. Between 1983 and 2003 he held different positions as a tax director within Credit Suisse Group. He has also been holding management positions at the Swiss Bankers Association (SBA) and at the International Fiscal Association, IFA (Swiss Branch). He is member of the advisory board of the Institute of Public Finance and Fiscal Law (IFF) of the University of St. Gallen and member of the board of directors of the Verband Schweizerischer Holding- und Finanzgesellschaften. Furthermore he is board member of the Stavros S. Niarchos Foundation for Charity.

Kurt Arnold did not have any business connections with the Company or its Subsidiary during the year under review.

He holds no permanent management or consultancy functions for interest groups, official functions or political posts.

Member of the board of other companies: Absolute Invest AG, Zug; Redyw AG, St. Moritz. Dr. Kurt Arnold is member of the board of directors of the following listed Swiss investment companies:

Absolute US Ltd (since March 2005)
Absolute Europe Ltd.
Absolute Managers Ltd.

Hans Rudolf Zehnder, Member of the Board of Directors, Swiss Citizen

Hans Rudolf Zehnder graduated from the University of Zurich, holds a degree as lic. oec. publ. and an ISMP from Harvard Business School. He has been holding various management positions in investment banking in London and Frankfurt and was member of the management board at Volksbank.

Hans Rudolf Zehnder did not have any business connections with the Company or its Subsidiary during the year under review.

Hans Rudolf Zehnder is member of the board of directors of Absolute Invest AG, Zug; BaloiseBank SOBA; Solothurn; CS Global Asset Program Balanced AG, Frankfurt and CS Global Asset Program Income AG, Frankfurt.

He holds no permanent management or consultancy functions for interest groups, official functions or political posts.

Hans Rudolf Zehnder is member of the board of directors of the following listed Swiss investment companies:

Absolute US Ltd.
Absolute Europe Ltd.
Absolute Managers Ltd.

4.3.2 Other activities and functions

Please refer to section 4.3.1.

4.3.3 Cross-involvement

Please refer to section 4.3.1.

4.3.4 Elections and terms of office

4.3.4.1 The principles of the election procedure and limits on the terms of office

According to article 13 of the Articles of Association of the Company, the Board of Directors consists of one or more members, which are shareholders and elected by the general assembly for a term of 1 year. After this term they may be re-elected.

The term ends at the day of the ordinary annual general assembly.

In the case of election of new members, the new members will complete the term of office of their predecessors.

4.3.4.2 The time of the first election and the remaining term of office for each member of the Board of Directors

The situation as of December 31, 2004 is as follows:

Member of the Board	first election	end of period
Thomas Amstutz	10.03.2000	24.06.2005
Dr. Kurt Arnold	15.06.2004	24.06.2005
Hans Rudolf Zehnder	05.06.2002	24.06.2005

4.3.5 Internal organization structure

4.3.5.1 Allocation of tasks within the Board of Directors:

Board Members	Task
Thomas Amstutz	Chairman of the Board of Directors
Dr. Kurt Arnold	Member of the Board of Directors
Hans Rudolf Zehnder	Member of the Board of Directors

4.3.5.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

There are no committees. The Board of Directors is responsible for all tasks allocated to it by Swiss law (Art. 716a of the Swiss Code of Obligations).

4.3.5.3 Work methods of the Board of Directors and its committees

The Board of Directors has 4 ordinary meetings per year. The meetings normally last between 2 and 4 hours. In addition, the Board convenes as often as required to discuss any urgent matters. Ordinarily, the Chairman calls the meeting with sufficient notice and prepares an agenda for each meeting.

On these meetings, the general market situation is assessed and the performance of the Company is reviewed. Any changes regarding the strategic direction, the Investment Guidelines, the selection of Administrators, Investment Managers and Investment Advisors are decided. Minutes are kept of the proceedings and resolutions.

At most meetings, the Board of Directors also holds separate private sessions to discuss particular issues.

During the year, the Board of Directors exchanges information by way of written communication or telephone conferences and takes decisions via circular resolutions.

4.3.6 Definition of areas of responsibility

The Board of Directors is responsible for all tasks allocated to it by Swiss law (see section 4.3.5). Whereas certain tasks have been delegated to the Investment Manager, the Investment Advisors and the Administrators of the Company or its Subsidiary (see section 4.4.3).

4.3.7 Information and control instruments vis-à-vis the Management Board

The company does not have a Management Board (see section 4.4.1).

The Chairman reports regularly at the meeting of the Board of Directors and on any extraordinary events during the year if required.

The Board of Directors supervises the work of the Investment Manager, the Investment Advisor and the Administrators.

At each meeting, the Board members receive a report outlining recent developments and outlook scenarios. In addition the Board Members are provided with regular updates on key issues as deemed appropriate.

Should a member of the Board require information or wish to review Company documents outside a meeting, he can address this request to the chairman of the Board.

4.4 Management Board

4.4.1 Members of the Management Board

The Company has no employees and no Management Board.

4.4.2 Other activities and functions

Not applicable.

4.4.3 Management contracts

The Investment Manager invests the Company's assets. The Investment Manager makes its investment decisions based on the investment recommendations of the Investment Advisor.

The Subsidiaries Administrator manages the Subsidiaries investment accounts and delivers relevant financial information such as financial statements, portfolio compositions and NAV computations on a regular and timely basis.

The Company's Administrator is responsible for the bookkeeping of the Company.

The Service Provider will be responsible for administration and organisational matters for the Company; it will in addition handle marketing and public relations issues; and, importantly, it will also support the Board of Directors in its strategic decision-making and in its evaluation of potential transactions.

These relationships are governed by an Investment Management Agreement between the Investment Manager and the Subsidiaries, an Investment Advisory Agreement between the Investment Advisor, the Investment Manager and the Subsidiaries and an Administration agreement between the Administrator and the Subsidiaries; as well as a Administration

Agreement between the Company and its Administrator and a Service Level Agreement between the Company and its Service Company.

Pearl Investment Management Ltd., a company incorporated under the laws of the Bahamas, having its principal office in Nassau, Bahamas, and is a subsidiary of Credit Suisse is the Investment Manager and is responsible for managing the assets of the Subsidiaries. Such management includes, but is not limited to, the selection of fund managers, the allocation of funds among them and the alteration of the investment strategy.

Pursuant to the terms of the Investment Management Agreements entered into between the Company's Subsidiaries, and Pearl Investment Management Ltd., the Subsidiaries are required to pay a management fee of 1.8% per annum based on its net asset value. In the financial year 2004, these fees amounted to USD 12'075'111. The fee is accrued as of the end of each quarter, payable quarterly in arrears. Pearl Investment Management Ltd. is also entitled to a 10% performance fee based on the appreciation of the net asset values of the Subsidiaries calculated at the end of each quarter. No performance fee was paid out.

Taking effect from and including January 1, 2005 the management fee will be reduced to 1.7% per annum. The Investment Management Agreement entered into between the Company's Subsidiaries and Pearl Investment Management Ltd. will be amended to reflect this change.

From these fees, the Investment Manager pays out the advisory fee.

In respect of Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd., the Investment Management Agreements are in full force and effect until September 14, 2005 and thereafter terminable at the end of the month of June or December by either party upon six months written notice. In respect of Barry Ltd. the Investment Management Agreement is in full force and effect until September 24, 2011.

Merchant Capital Inc., an exempted company incorporated under the laws of the State of Delaware, USA, acts as Investment Advisor for Privatissimo Ltd., Private Seven Ltd. with respect to the investment and reinvestment of the Subsidiaries' assets. The Investment Advisor is responsible for recommending to the Investment Manager and the board of directors of the Subsidiaries an overall strategy for the allocation of the Subsidiaries assets, including the evaluation of fund managers, the monitoring of the selected fund performances and the recommendation of reallocations and redemptions among the Subsidiaries' existing funds and new investments in additional funds.

The Investment Advisor receives an annual management fee. The performance fee, if any, is paid out using a high watermark principle and after deducting management fees.

The Investment Manager pays out these fees to the Investment Advisor from its revenues as described above.

The Investment Advisory Agreement is terminable at the end of each calendar year either by the Company and the Investment Manager jointly or the Advisor upon 90 days written notice.

As of January 1, 2005 Absolute Investment Services Ltd. a Swiss company, acts as Service Provider for Absolute Private Equity. Pursuant to the Service Level Agreement between the Company and Absolute Investment Services, the former is required to pay a service fee of 0.1% per annum based its net asset value.

The Service Level Agreement is terminable upon 90 days written notice to the end of June or December.

The New Jersey corporation Northport Partnership Management, Inc., Admininstrator of Privatissimo Ltd., Private Seven Ltd. and Private Invest Ltd., is entitled to annual fees of USD 160'000, USD 90'000 and USD 130'000 respectively from the three afore-mentioned Subsidiaries. These fees are subject to a yearly increase of 4%. This revised fee schedule took effect on October 1 2004; previously the Administrator was entitled to an annual fee of USD 200'000 from each of the three Subsidiaries. With regard to Barry Ltd. Citco Fund Services (Curaçao) N.V., incorporated under the laws of the Netherlands Antilles, having its principal office in Curaçao, Netherlands, Antilles is the Administrator. It is entitled to annual fees of 0.05% of Barry Ltd.'s month-end net assets. The Administrators are in charge of calculating the net asset values, producing financial statements and establishing and maintaining bank, brokerage, custodian and other accounts of the Subsidiaries.

The Administration Agreements are terminable upon 30 days (Northport) and 90 days (Citco) written notice.

The Company's Administrator, Ernst & Young AG, Zurich, is in charge of the accounting work for the Company, i.e. bookkeeping and producing the Company's financial statements and the consolidated financial statements. The Administrator's yearly range of compensation amounted to CHF 65'000.

The Administration Agreement is terminable at the end of any calendar month by either party upon 30 days written notice.

4.5 Compensations, shareholdings and loans

4.5.1 Content and method of determining the compensation and the shareholding programmes

Each member of the Board of Directors is entitled to receive CHF 50'000 compensation per year of function for the Company. The compensation is paid out in cash only; no shares or options are paid out as Directors' compensation. Payment is made after the annual general assembly.

Members of the Board of Directors who are employed and remunerated by Credit Suisse Group or one of its subsidiaries have waived their compensation payments.

The right to receive compensation ends with the termination of the function as member of the Board. The compensation is determined by the Board of Directors.

The compensation payable to the Board Members is determined by a Board Resolution.

4.5.2 Compensations for acting members of governing bodies

During the year under review, CHF 100'000 has been paid out in cash as compensation for the members of the Board of Directors for their term of 2003. There are only non-executive directors (see section 4.3.1).

4.5.3 Compensation for former members of governing bodies

No compensation is paid out to former members of the Board of Directors.

4.5.4 Share allotment in the year under review

There has been no share allotment to non-executive members of the Board of Directors of the Company.

4.5.5 Share ownership

As of December 31, 2004 non-executive members of the Board of Directors held, according to their own declaration, a total of 10'000 shares of Absolute Private Equity Ltd.

4.5.6 Options

The non-executive members of the Board of Directors did not hold any options on shares in the Company as of December 31, 2004.

4.5.7 Additional honorariums and remunerations

For the year under review, no additional honorariums and other remuneration has been paid out to any members of the Board of Directors.

4.5.8 Loans granted by governing bodies

No guarantees, loans, advances or credits are granted to members of the Board of Directors.

4.5.9 Highest total compensation

The highest total compensation is CHF 50'000 for a Board member.

4.6 Shareholders' participation rights

4.6.1 Voting-rights restrictions and representation

There are no voting-rights restrictions in the Articles of Association.

There are no statutory rules in the Articles of Association, which differ from applicable legal provisions.

4.6.2 Statutory quorums

There are no statutory quorums; legal provisions (art. 704 CO) apply.

4.6.3 Convocation of the general assembly of shareholders

According to article 8 of the Articles of Association, there are no statutory rules for the convocation of the general assembly of the shareholders that differ from or supplement applicable legal provisions. Shareholders who hold at least 10% of the share capital of the Company and state the purpose of the assembly have the right to convene a general assembly.

4.6.4 Agenda

According to article 9 of the Articles of Association, there are no statutory rules for the convocation of the general assembly of the shareholders that differ from applicable legal provisions.

4.6.5 Registrations in the share register

Not applicable.

4.7 Changes of control and defense measures

4.7.1 Duty to make an offer

According to article 6 para. 2 of the Articles of Association of Absolute Private Equity Ltd., there is no “opting-out”, meaning that an acquirer of shares exceeding 33 1/3% of the voting rights in the Company is obliged to make a public offer to the other shareholders pursuant to art. 32 of the Stock Exchange Act.

4.7.2 Clauses on changes of control

There are no specific clauses on changes of control.

4.8 Auditors

4.8.1 Duration of the mandate and term of office of the head auditor

The existing audit mandate was entered into on July 19, 2000 with KPMG Fides Peat, Zurich. The head auditor, Mr. Hans Stamm, Swiss Certified Accountant, has been the head auditor since the beginning of the mandate. KPMG Fides Peat is also the auditor of the Company's Subsidiary and group auditor.

4.8.2 Auditing honorarium

The total audit fee for the financial year 2003 amounted to CHF 137'400 which included the report of the statutory auditors of Absolute Private Equity Ltd., the report of the group auditors of Absolute Private Equity Ltd., the report of the auditors of Privatissimo Ltd., Private Seven Ltd., Private Invest Ltd. and Barry Ltd.

The fees for the financial year 2004 have not yet been charged.

The auditors are mandated for one year, and are proposed for re-election to the annual general assembly.

4.8.3 Additional honorariums

The auditors and parties associated charged no additional honorariums for the financial year 2004 and the year under review.

4.8.4 Supervisory and control instruments vis-à-vis auditors

The Board of Directors provides the auditors with all the necessary information in connection with the audit and the financial statements whereby the financial statements are produced by the company's and the subsidiary's Administrator. The auditors are updated on the decisions that have been taken in the Meetings of the Board of Directors and receive the relevant documents on a regular basis.

4.9 Information policy

The company homepage, where all relevant information is published:
www.absoluteprivateequity.com

According to article 27 of the Articles of Association, the Company provides the following information:

Information	Frequency	Source
Share price	Daily	Bloomberg Homepage
Net asset value / share price	Weekly, every Friday	Bloomberg, Reuters Homepage, Newspapers (1)
Newsletter	Monthly	Homepage E-mail delivery to investors upon request
Semi-annual report	Semi-annual	Homepage E-mail delivery to investors upon request
Annual report	Annual	Homepage E-mail delivery to investors upon request
Further Information (2)	Upon request	Homepage Daily Newspapers Swiss Commercial Gazette

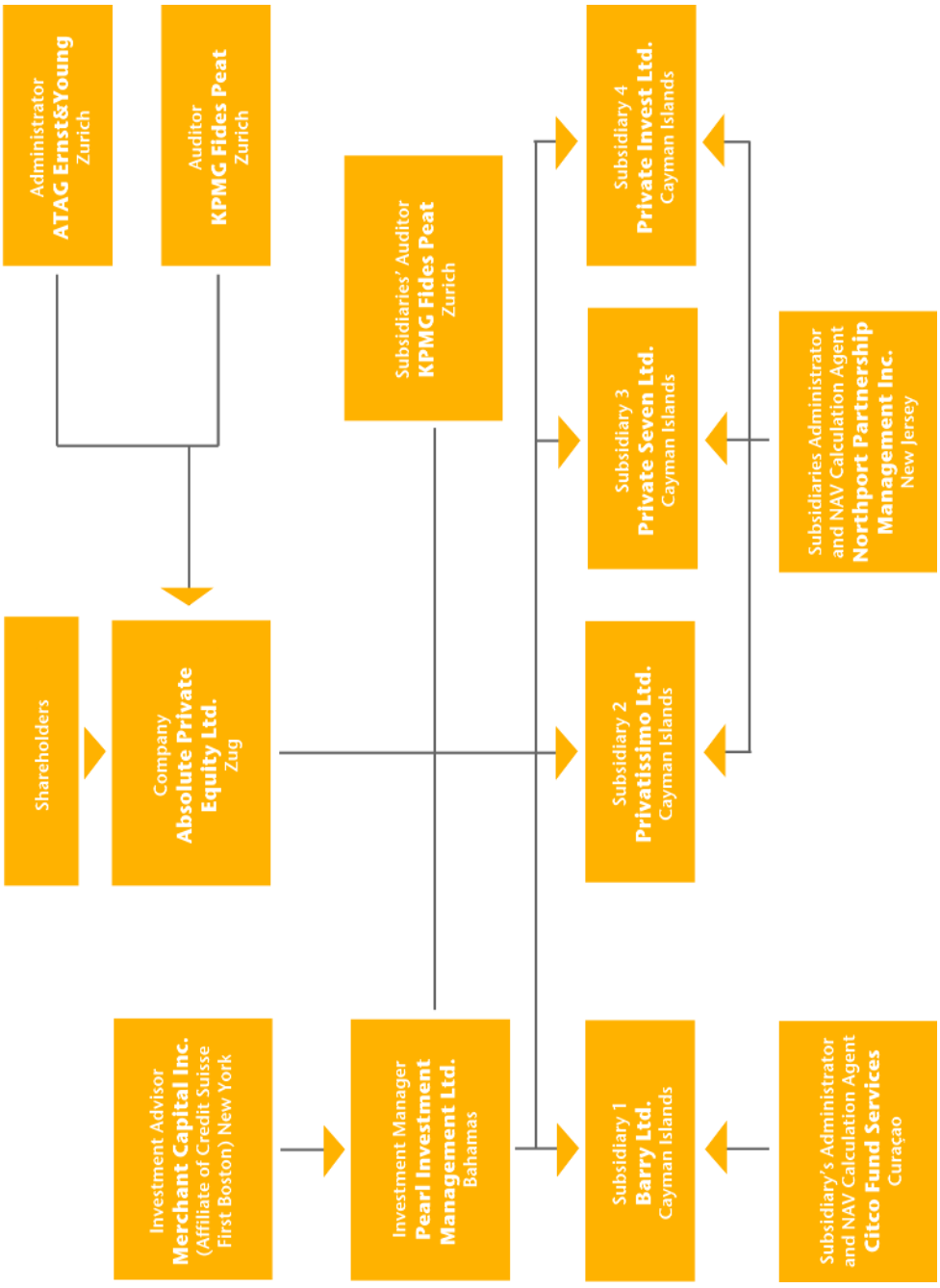
(1) Tuesday, Thursday & Friday (share price only)
(2) Special Transactions, News, Changes in Investment Guidelines or Articles of Association

For contact details please refer to section 5.3 of this Annual Report

company
profile

5. Company Profile

5.1 Structure of Absolute Europe Ltd.



5.2 Corporate Bodies

Absolute Private Equity Ltd.

Registered Office
c/o Credit Suisse
Bahnhofstrasse 17
P.O. Box 553
CH-6301 Zug
Switzerland

Board of Directors
- Thomas Amstutz, Chairman, Member of the Executive Board of Credit Suisse
- Hans Rudolf Zehnder, Member of the Board of Directors
- Dr. Kurt Arnold, Member of the Board of Directors

The Board of Directors is responsible for managing the business affairs of the Company in accordance with its Articles of Association. This includes determining the general policy, including the investment policy, to be followed by the Subsidiaries.

The Subsidiaries

Privatissimo Ltd.
c/o Aston Corporate Managers Ltd.
The Charles Building
P.O. Box 1981
George Town, Grand Cayman
Cayman Islands, BWI

Board of Directors
- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael C. Bridge, Chief Operating Officer, Absolute Investment Services Ltd. (since 01.01.05)
- Nicole Pauli, Vice President, Credit Suisse (until 31.12.04)

Absolute Private Equity Ltd. invests a portion of its assets through Privatissimo Ltd. in accordance with the investment guidelines.

Private Seven Ltd.

c/o Aston Corporate Managers Ltd.
The Charles Building
P.O. Box 1981
George Town, Grand Cayman
Cayman Islands, BWI

Board of Directors

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael C. Bridge, Chief Operating Officer, Absolute Investment Services Ltd. (since 01.01.05)
- Nicole Pauli, Vice President, Credit Suisse (until 31.12.04)

Absolute Private Equity Ltd. invests up to 40% of its assets through Private Seven Ltd. in accordance with the investment guidelines.

Private Invest Ltd.

c/o Aston Corporate Managers Ltd.
The Charles Building
P.O. Box 1981
George Town, Grand Cayman
Cayman Islands, BWI

Board of Directors

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael C. Bridge, Chief Operating Officer, Absolute Investment Services Ltd. (since 01.01.05)
- Nicole Pauli, Vice President, Credit Suisse (until 31.12.04)

Absolute Private Equity Ltd. invests a portion of its assets through Private Invest Ltd. in accordance with the investment guidelines.

Barry Ltd.

c/o Aston Corporate Managers Ltd.
The Charles Building
P.O. Box 1981
George Town, Grand Cayman
Cayman Islands, BWI

Board of Directors

- Desmond Campbell, Director, Aston Corporate Managers Ltd.
- Stuart T. Brankin, Director, Aston Corporate Managers Ltd.
- Michael C. Bridge, Chief Operating Officer, Absolute Investment Services Ltd. (since 01.01.05)
- Nicole Pauli, Vice President, Credit Suisse (until 31.12.04)

Absolute Private Equity Ltd. invests a portion of its assets through Barry Ltd. in accordance with the investment guidelines.

Investment Manager

Pearl Investment Management Ltd.
P.O. Box, Fourth Floor
The Bahamas Financial Centre
Shirley & Charlotte Streets
Nassau, Bahamas

Board of Directors

- Franco Müller, Chief Executive Officer, Banca di Gestione Patrimoniale
- Michael L. Paton, Lennox Paton Councel and attorneys-at-Law, Notaries Public, Nassau (Bahamas) Ltd.
- Remigio Luongo, Vice President, Credit Suisse

Pearl Investment Management acts as Investment Manager to Absolute Private Equity Ltd. and is responsible for investing the assets of the Subsidiaries in accordance with the Investment Objectives and Policies.

Investment Advisors

Merchant Capital Inc.
An indirect subsidiary of Credit Suisse First Boston
CSFB Private Equity
Eleven Madison Avenue
New York, NY, 10010
USA

Merchant Capital acts as Investment Advisor and supports the Investment Manager in selecting the Private Equity investments and in carrying out the Investment Manager's other duties under the Investment Management Agreement such as due diligence.

5.3 Contact Details

Absolute Investment Services Ltd.
Talstrasse 37
CH-8001 Zurich
Switzerland

Hotline: +41 (0)43 888 63 00

Absolute Private Equity Ltd. intends to inform its shareholders with the utmost transparency and as early as possible. The most updated source of information is the Company's web page (www.absoluteprivateequity.ch) where an investor can find, among others, information on the share price and net asset value development, performance of the strategies, details on the allocation as well as other supplementary information.

For additional questions, please contact us via e-mail (info@absoluteinvestments.com) or at the telephone number given above.

Absolute Private Equity Ltd. - How to invest

The shares of Absolute Private Equity Ltd. are listed on the SWX Swiss Exchange. You can buy and sell shares of the Company at your bank.

- Swiss Security Number:1111333
- ISIN Code CH:CH 0011113336
- SWX code:ABSP

Before investing, please read the legal disclaimer.

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