PRIVATE EQUITY INVESTOR PLC

Annual Report

For the year ended 31 March 2005

THE COMPANY

INVESTMENT OBJECTIVE AND POLICY

The Company was launched in February 2000 and provides both private and institutional investors with a means to participate in specialised venture capital funds in the USA, in a category of funds that is not otherwise accessible to many investors.

The Company's objective is to achieve substantial capital appreciation for shareholders over the long-term. The Company's policy has been to invest in high quality venture capital funds, managed by several different management groups, focused on various stages of growth from early stage to pre-IPO, so as to obtain exposure to a diversified underlying portfolio of investments in unlisted companies in the IT and other technology sectors. Such funds have been selected with regard to the experience and track record of the managers, their investment strategy and their strength and quality of deal flow.

The Company's funds are currently fully committed.

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SUMMARY OF RESULTS AND FINANCIAL HIGHLIGHTS

	31 March 2005	*31 March 2004*	*% change*
Net assets and shareholders' funds in US dollars	**$108,960,000**	$117,564,000	(7.32)
Net assets per ordinary share in US cents	**217.92c**	235.13c	(7.32)
Net assets and shareholders' funds	**£57,663,000**	£63,968,000	(9.86)
Net assets per ordinary share "NAV"	**115.33p**	127.94p	(9.86)
Mid-market price per ordinary share	**104.00p**	99.25p	4.79
Discount to NAV	**9.82%**	22.42%	
Net deficit after taxation	**£(843,000)**	£(529,000)	(59.36)
Total return per ordinary share	**(12.61)p**	(15.69)p	
Total expense ratio	**1.9%**	1.6%	
Exchange rate (US $/£)	**1.88960**	1.83785	

CHAIRMAN'S STATEMENT

I am pleased to announce the results for Private Equity Investor PLC ("PEI" or "the Company") for the year ended 31 March 2005.

Results

The Company's year-end net asset value was 115.33p (217.92c) per share compared with 127.94p (235.13c) a year earlier, a decline of 9.9% in sterling terms. As I reported in December's interim statement, much of this was due to the costs associated with changes to the capital structure approved at the AGM in October, totalling approximately £1.6 million, together with a fall in the value of quoted shares held by one of the underlying partnerships, TCV IV. The performance of the balance of the portfolio was generally satisfactory.

During the year the discount to NAV at which the Company's shares trade narrowed from 22.4% to 9.8%. Partly reflecting this, the Company's share price improved from 99.25p to 104.00p. Over the period, the dollar/sterling exchange rate moved from $1.84 to $1.89.

Distributions received during the year fell to $5.73 million (2004: $8.69 million). A further $1.5 million of distributions was received in the first quarter to 30 June 2005 and additionally approximately $950,000 was due to be received by the end of July 2005.

At the year-end the Company had outstanding capital call commitments to its underlying funds of $51.2 million compared with cash and liquid resources of $24.9 million. This "over-commitment" is to be funded from realisations, the timing and quantum of which is difficult to predict. Since the year-end, in order to manage the Company's cash flow and to minimise the possibility of any shortfall between future distributions and drawdown commitments, two holdings purchased in 2003 and 2004, New Enterprise Associates ("NEA") 11 and TCV V have been sold, both at a premium to the original commitment of $5 million each. In addition, terms have been agreed for the sale of another 2004 fund, Oak XI. In total, through these sales the Company will have reduced its initial commitments by $15 million (of which $9.5 million remains to be drawn down) and, in addition, received a premium of $500,000. As a result, the Company's investments will all be of year 2000 vintage. Drawdowns to several of these funds are now effectively complete and, in the case of the remainder, coming to a close as they conclude their investment programmes.

In October 2004, shareholders approved the purchase and cancellation of the Company's outstanding convertible unsecured loan notes. These were held by Chamelle Limited, a company owned by the founding directors of Private Equity Investor PLC or trusts connected with them. The loan notes had a conversion right, subject to certain performance conditions, into new ordinary shares of the Company and were also entitled to compensation in the event of a takeover of the Company and its subsequent winding up. In order to remove the potential impact of the loan notes, negotiations were entered into which resulted in them being purchased by the Company (for subsequent cancellation) for a premium of £1,295,000.

I am pleased to report that the anticipated savings in the operating costs of the Company following the capital restructuring and Board changes in October are being achieved.

Market overview

New capital raised for US private equity investment continued the upward trend that has been evident since 2002. For 2004, funds raised by venture capital groups totalled $17.32 billion compared with $10.61 billion in 2003.

In the 12 months to 31 March 2005 there were 90 venture backed IPOs, raising $9.0 billion, compared with 41 raising $4.7 billion in the previous year. Over half of the 63 companies that went public during the period are currently trading above their offering price. However, venture-backed companies are increasingly looking to the M&A market in preference to a public offering. The cost of implementing the requirements of Sarbanes-Oxley regulations are considerable, particularly for smaller companies, and in addition Boards generally, and more specifically executive directors, face greater scrutiny and exposure from compliance. As a result we may expect to see increasing numbers of realisations as the result of mergers or outright sales. In keeping with this, disclosed valuations for venture-backed mergers and acquisitions in the first quarter of 2005 showed the highest average deal size since 2001.

Portfolio review

As at 31 March 2005, the Company's 21 partnerships held investments in 516 private and 48 public companies, representing 77.6% of the Company's net asset value (2004: 60.7%). Of the 21 partnerships six reported a gain in value over the period. There were 172 new investments (2004: 124), and 226 follow-on investments (2004: 225) which resulted in draw downs by investee funds totalling $23.6 million (2004: $24.2 million). 56 investments were written off (2004: 47), 117 were written down (2004: 115) and 87 portfolio companies were written up (2004: 110).

One small commitment of $400,000 was made to Zone Ventures II, a fully invested fund, in the form of a new "Annex" fund. These vehicles are used to raise additional funds in cases where an existing fund is fully invested but has a number of attractive portfolio companies needing further finance. The "Annex" fund will enable Zone to participate in funding rounds for these companies', enabling Zone to maintain its equity position. The Annex fund involves no management fee and no profit share ("carry") until both it and Zone Ventures II have been fully repaid.

At the period end, commitments to venture funds which had not yet been drawn down totalled $51.2 million. Following the sale of NEA 11 and TCV V, the agreement to sell Oak XI, and after drawdowns in the current year, this figure now stands at $31.7 million. Currently the Company has total cash and liquid resources of approximately $25.7 million.

The Company received cash and stock distributions during the period totalling $5.73 million compared with $8.69 million for 2004 and $1.46 million for 2003. Cash distributions totalled $4.31 million compared with $2.90 million for 2004 and less than $119,000 for 2003. The balance was in the form of stock distributions totalling $1.42 million compared with $5.78 million for 2004 and $1.34 million for 2003. Since the year-end, the Company has received or is due to receive a further $2.5 million, of which approximately 65% will be in cash.

The 12 months under review saw the IPOs of nine (2004: four) underlying investee companies: Inhibitex, SalesForce.com, Matabasis Therapeutics, Auxilium Pharmaceuticals, Khong Zhong, Mortgage IT, VNUS, Aspreva Pharmaceuticals and InPhonic. In most cases, these investments are still held by the underlying partnerships. In all cases, where it has received distributions of stock, PEI has sold its holding at or very close to the distribution price. It is not the Company's policy to retain any stock distributions but to realise them as promptly as possible.

Bond portfolio and hedge fund investment

In March 2005, the Company's holdings in dollar denominated bonds were sold, realising $5.5 million, which is now held in interest bearing securities. Other funds awaiting draw down during the period were invested in notes issued by Deutsche Bank linked to a hedge fund of funds managed by FRM, and in cash. At 31 March 2005 the aggregate of these investments was $23.6 million compared with $43.4 million at 31 March 2004.

The Company's investment in the FRM Absolute Alpha Diversified US Dollar Fund (via the Deutsche Bank notes) will be redeemed, in due course, to meet future commitments; the timing of its redemption depending on the drawdown rate compared with the level of distributions. There is a penalty charge on early redemption of, originally, 10% declining in equal monthly amounts over three years.

Outlook

Five years have elapsed since the Company's flotation in February 2000. Within a month of that date the US market, as measured by the NASDAQ index, began the sharp retreat from its high point. The Company's underlying funds initially pursued an active investment policy but then slowed or suspended their investment programmes as the sharpness of the market decline became more apparent. Inevitably, there were losses and write-downs arising from investments in this period. However, the last two or three years have been more favourable and the funds have been investing in companies at much more attractive valuations.

Although the peak of the dotcom boom can be seen as an inauspicious time for the Company to have started life, we believe that the Company's portfolio has now stabilised and that the funds contain investments in growth enterprises, including more recent investments made at what appear to be realistic and attractive prices. The timing and amount of distributions remains difficult to predict but undrawn commitments are continuing to fall and should soon come to an end. As a consequence, the Company should be approaching a period when it will begin to generate surplus cash. As the liquidity position becomes clearer, it will be appropriate to consider the direction that the Company should take and we will review the available options with shareholders and obtain their views as to the way forward.

PETER DICKS
Chairman
18 July 2005

THE COMPANY'S TOP 25 UNDERLYING INVESTMENTS

as at 31 March 2005

Company	*Business*	*Carrying Valuation ($ million)*
Baidu, Inc	Chinese search engine	2.47
DivXNetworks	Video technology company	2.16
InPhonic, Inc	Wireless services/devices provider	2.10
Conversagent	Conversational software provider	2.10
Alteris Inc	Medical discovery	1.60
NetFlix.com, Inc	Online DVD rentals	1.58
Tele Atlas NV	Geographic database provider	1.55
Xora, Inc	Mobile field service solutions	1.36
ProactiveNet, Inc	Real-time software provider	1.30
netForensics	Security software provider	1.29
Liquidnet Holdings Inc	Broker-dealer trading system	1.14
HNW, Inc	Marketing services	1.08
Tutor.com, Inc	On-line learning services	1.06
Moreover Tech, Inc	Information management solutions	0.92
Mortgage IT.com	Multi-lender of residential mortgages	0.91
PureDigital Technologies	Digital Imaging Technology provider	0.75
Fiberlink Comms Corp	Mobile solutions	0.73
DeepNines Tech	Security software provider	0.70
Vonage Holdings Corp	Broadband technology services	0.70
InterSAN, Inc	Storage management software	0.66
Kong Zhong Corp	Wireless interactive services	0.64
IXI Mobile Inc	Mobile devices	0.60
Wage Works	Employee benefit administration	0.60
Redback Networks	Broadband network equipment	0.59
Wily Technology	Web management solutions	0.59

Summary of Individual Venture Funds Investments:

Name	*Total commitment* $	*Total drawdown 31 March 2005* $
APV Technology Partners III	5,000,000	5,000,000
Bay III	5,000,000	4,375,000
Crescendo IV	10,000,000	8,750,000
Draper Fisher Jurvetson ePlanet Ventures	30,000,000	20,475,000
Draper Fisher Jurvetson Fund VI	2,000,000	1,740,000
Draper Fisher Jurvetson Fund VII	5,000,000	3,112,500
Draper Fisher Jurvetson Gotham Venture Fund	3,000,000	2,310,000
Focus Ventures II	30,000,000	25,050,000
New Enterprise Associates 9	5,000,000	4,919,438
New Enterprise Associates 10	10,000,000	7,750,000
New Enterprise Associates 11*	5,000,000	1,750,000
Oak Investment Partners X	10,000,000	7,089,688
Oak Investment Partners XI	5,000,000	970,587
Sprout Capital IX	3,750,000	3,380,986
TCV IV	25,000,000	20,545,000
TCV V*	5,000,000	2,750,000
Vanguard VII	3,000,000	2,100,000
VantagePoint Venture Partners IV	10,000,000	5,400,000
Wit Dawntreader Fund II	30,000,000	23,700,000
Wit VC Fund I	500,000	500,000
Zone Venture Fund II	10,000,000	9,500,000
Zone Venture Fund II Annex	400,000	293,333
	212,650,000	161,461,532

Review of Individual Venture Funds

APV Technology Partners III (www.apvtp.com)

APV invests primarily in early stage, privately held information technology companies. APV works with companies that have experienced management, address substantial growing markets and which possess proprietary or innovative technology. The Fund had 5 portfolio companies as at 31 March 2005.

Total committed capital	**$109m**
Private Equity Investor commitment	**$5m**
Total Drawdown (31 March 2005)	**$5m**

Bay III (www.baypartners.com)

Bay Partners has been active in early stage technology investment for more than 27 years, funding over 200 technology start-up companies to date with over one billion dollars of capital under active management. Bay looks for companies with real technology differentiation with the aim of building large, substantial companies.

Bay III invests primarily in California and the Pacific North West, typically investing between one to ten million dollars in seed to early stage companies. As at 31 March 2005, the Fund had 10 portfolio companies.

Total committed capital	**$180m**
Private Equity Investor commitment	**$5m**
Total Drawdown (31 March 2005)	**$4.375m**

Crescendo IV (www.crescendoventures.com)
Crescendo is an internationally focused venture capital firm with offices in Palo Alto, California, London and Minneapolis. The Group has managed investments in over 100 early stage companies, concentrating on the communications and enterprise infrastructure markets in areas ranging from software, storage and security to semiconductors, networking equipment and electronic and optical components. Investments have been made in the US, the UK, Continental Europe and Israel. Since 1997, 23 of their portfolio companies have successfully been acquired while a group of nine portfolio companies completed initial public offerings. As at 31 March 2005, Crescendo had 25 portfolio companies.

Total committed capital	**$586m**
Private Equity Investor commitment	**$10m**
Total Drawdown (31 March 2005)	**$8.75m**

Draper Fisher Jurvetson ePlanet Ventures (www.dfjeplanet.com)
Draper Fisher Jurvetson ePlanet Ventures (DFJ ePlanet) is a joint venture with Draper Fisher Jurvetson and is a global venture capital firm that operates offices in Redwood City, California, Singapore, Beijing and Shanghai, Hong Kong, London and Tokyo and is in the process of opening an office in Mumbai.

Founded in 1999 to take advantage of the growing trend towards the globalization of technology, DFJ ePlanet, with over $650 million under management, focuses on a broad range of interests in the information technology, life sciences and medical device sectors. In the US the company focuses on expansion and later stage investments and in seed to late stage investments in Europe, Israel and Asia. DFJ ePlanet's Ventures investments are currently focused primarily on wireless, semiconductor, consumer internet, life sciences, VOIP, broadband and other emerging services sectors. At 31 March 2005, DFJ ePlanet Ventures had 47 portfolio companies.

Total committed capital	**$646m**
Private Equity Investor commitment	**$30m**
Total Drawdown (31 March 2005)	**$20.475m**

Draper Fisher Jurvetson Fund VI & Fund VII (www.dfj.com)
Founded in 1985, Draper Fisher Jurvetson has created a global network of affiliated venture funds with over $3 billion in capital commitments and has offices in major technology centres around the world. Since 1985 the firm has focused on investing in seed or start-up venture capital rounds primarily in a broad range of information technology companies. Fund VI had 39 portfolio companies as at 31 March 2005 while Fund VII had a total of 49.

Total committed capital (Fund VI)	**$375m**
Private Equity Investor commitment (Fund VI)	**$2m**
Total Drawdown (31 March 2005)	**$1.74m**
Total committed capital (Fund VII)	**$637m**
Private Equity Investor commitment (Fund VII)	**$5m**
Total Drawdown (31 March 2005)	**$3.113m**

Draper Fisher Jurvetson Gotham Venture Fund (www.dfjgotham.com)
This Fund is a DFJ affiliate fund investing in companies located throughout the US, primarily along the East Coast, as well as companies of Israeli origin intending to enter the US market. The Fund's objective is to achieve superior returns for its investors through investing in innovative companies which serve large markets. As at 31 March 2005, the Fund had 14 portfolio companies.

Total committed capital	**$100m**
Private Equity Investor commitment	**$3m**
Total Drawdown (31 March 2005)	**$2.31m**

Focus Ventures II (www.focusventures.com)

This Partnership focuses on investments in expansion stage private technology companies that have moved beyond the initial seed or start-up phase of their development, have completed initial product development and are beginning to expand the marketing of their products or services. The Partnership concentrates on making investments in the software, communications and semiconductor sectors at a stage where it believes the technical risk has been largely resolved. Investments are typically in the $3–15 million range, with Focus serving as lead investor in approximately half of the rounds in which they participate. As at 31 March 2005, the Fund had 26 portfolio companies.

Total committed capital	**$465m**
Private Equity Investor commitment	**$30m**
Total Drawdown (31 March 2005)	**$25.05m**

New Enterprise Associates 9, 10 & 11 (www.nea.com)*

New Enterprise Associates was set up in 1978 and invests primarily in the technology and healthcare industries. The combined contributed capital for NEA partnerships to date is over $6 billion. NEA is a classic early stage venture capital firm, and while many of its investments are in the seed and start-up stages of development it also invests in expansion and mezzanine financings. With offices in Menlo Park, California, Reston, Virginia and Baltimore, Maryland, a majority of NEA's portfolio companies are close to an NEA office. NEA has invested in over 500 companies, of which more than 145 have gone public and more than 185 have been acquired. As at 31 March 2005, Fund 9 had 32 portfolio companies, Fund 10 had 90 and Fund 11 had 38.

Total committed capital (NEA 9)	**$880m**
Private Equity Investor commitment (NEA 9)	**$5m**
Total Drawdown (31 March 2005)	**$4.919m**
Total committed capital (NEA 10)	**$2.3b**
Private Equity Investor commitment (NEA 10)	**$10m**
Total Drawdown (31 March 2005)	**$7.75m**
Total committed capital (NEA 11)	**$1.1b**
Private Equity Investor commitment (NEA 11*)	**$5m**
Total Drawdown (31 March 2005)	**$1.75m**

* This holding has been realised subsequent to the year end.

Oak Investment Partners Fund X and Fund XI (www.oakvc.com)

Oak Investment Partners is a multi stage venture capital firm with a total of $5.8 billion in committed capital. Investments are primarily focused on growth opportunities in enterprise application and infrastructure software, communication equipment and services, data storage, financial services technology, outsourced services, healthcare services and retail. For over 25 years, Oak has achieved a strong track record funding more than 350 companies at various points in their lifecycle. Oak's average investment size for early stage investments ranges from $10-25 million and $30-60 million for late stage and special situation opportunities. Oak X had 42 portfolio companies as at 31 March 2005 while Oak XI had 12.

Total committed capital (Oak X)	**$1.6b**
Private Equity Investor commitment (Oak X)	**$10m**
Total Drawdown (31 March 2005)	**$7.09m**
Total committed capital (Oak XI)	**$1.5b**
Private Equity Investor commitment (Oak XI)	**$5m**
Total Drawdown (31 March 2005)	**$0.971m**

Sprout Capital IX (www.sproutgroup.com)
Originally founded in 1969, Sprout invests in emerging technology companies and is the venture capital affiliate of Credit Suisse First Boston. The Sprout Group has raised total committed capital of nearly $3 billion and invested in over 350 companies. The Fund's targeted industry segments are communications, software and healthcare technology, and in industries with rapid long-term growth or that are experiencing significant structural changes. Sprout Group seeks existing or potential market leaders within these sectors and will invest in companies at all stages from start-up through to buyout. As at 31 March 2005, the Fund had 55 portfolio companies.

Total committed capital	**$1.08b**
Private Equity Investor commitment	**$3.75m**
Total Drawdown (31 March 2005)	**$3.381m**

TCV IV & V (www.tcv.com)*
TCV invests in expansion and late stage companies in a broad range of sectors including software, communications, infrastructure, services and semiconductors. The Group also invests in public companies through private (PIPE) and public transactions. TCV has $3.3 billion under management and has financed over 140 companies. It has helped companies and their management teams achieve over 35 IPOs and 25 strategic sales or mergers. TCV IV had 28 portfolio companies as at 31 March 2005 while TCV V had 12.

Total committed capital (TCV IV)	**$1.7b**
Private Equity Investor commitment (TCV IV)	**$25m**
Total Drawdown (31 March 2005)	**$20.545m**
Total committed capital (TCV V)	**$900m**
Private Equity Investor commitment (TCV V*)	**$5m**
Total Drawdown (31 March 2005)	**$2.75m**

* This holding has been realised subsequent to the year end.

Vanguard VII (www.vanguardventures.com)
Founded in 1981, Vanguard is an early stage venture capital firm specialising in the communications, life sciences and information technology fields with offices in Palo Alto, California, and Houston, Texas. Over the last 24 years Vanguard Ventures has invested in over 120 companies, 30 of which have had notable success including public companies such as Advanced Fibre Communications, Cobalt Networks, Ciena, Endotherapeutics, Network Appliance, Digital Island and ZipRealty. As at 31 March 2005, the Fund had 17 portfolio companies.

Total committed capital	**$211m**
Private Equity Investor commitment	**$3m**
Total Drawdown (31 March 2005)	**$2.1m**

VantagePoint Venture Partners IV (www.vpvp.com)
Since 1996 VantagePoint has raised over $2.8 billion of committed capital and is an active multi-stage investor with offices in San Bruno, California, New York and Montreal. The Fund seeks investment opportunities that typically require $20 to $100 million ranging from start-ups to pre-IPO funding. VantagePoint prefers to take a position of some substance in its portfolio companies and is usually the lead or sole investor. The investment focus falls into five key areas: CleanTech (the application of technology to energy, water and materials), communications and systems, healthcare, semiconductors and components and software and internet. The Fund had 53 portfolio companies as at 31 March 2005.

Total committed capital	**$1.4b**
Private Equity Investor commitment	**$10m**
Total Drawdown (31 March 2005)	**$5.4m**

Wit Dawntreader Fund II (www.dtventures.com)
Formed in 1998, Dawntreader Ventures is a New York-based venture capital firm, managing $270 million, focusing primarily on information technology investments with investments in security, storage, open source, systems management, media, wireless, telecom/cable infrastructure, and enterprise applications. The Group has made some 30 investments and achieved a number of successful exits. As at 31 March 2005, the Fund had 15 portfolio companies.

Total committed capital	**$250m**
Private Equity Investor commitment	**$30m**
Total Drawdown (31 March 2005)	**$23.7m**

Zone Ventures Fund II (www.zonevc.com)*
Zone has $135 million under management and focuses on early stage technology investments and is the Southern California affiliate to Draper Fisher Jurvetson. Zone has built strong relationships with universities, R&D labs, entrepreneurs and financial institutions and aims to bridge the gap between new technology and investment capital. Zone has concentrated on making investments in the southern California area but does consider investments outside California. As at 31 March 2005, the Fund had 13 portfolio companies.

Total committed capital	**$98m**
Private Equity Investor commitment*	**$10m**
Total Drawdown (31 March 2005)*	**$9.5m**

Portfolio summary

Total Commitment**	**$212,650,000**
Total Drawdown at 31 March 2005	**$161,461,532**

* Does not include the Company's investment in the Annex Fund of $400,000.

** This includes PEI's holding in NEA 11 and TCV V which were sold subsequent to year end. Thus current commitment is $202,650,000.

PETER DICKS
Chairman
18 July 2005

INVESTMENT PORTFOLIO

as at 31 March 2005

	Total commitment $'000	*Drawndown book cost* $'000*	*Market value $'000*	*Market value £'000*	*% of net assets*
Unquoted Funds					
Venture Capital Funds					
APV Technology Partners III	5,000	4,232	1,299	688	1.2
Bay III	5,000	4,228	755	399	0.7
Crescendo IV	10,000	8,360	2,849	1,508	2.6
Draper Fisher Jurvetson ePlanet Ventures	30,000	20,164	11,263	5,961	10.3
Draper Fisher Jurvetson Fund VI	2,000	1,727	639	338	0.6
Draper Fisher Jurvetson Fund VII	5,000	3,113	2,236	1,183	2.1
Draper Fisher Jurvetson Gotham Venture Fund	3,000	2,034	1,376	728	1.3
Focus Ventures II	30,000	23,690	8,797	4,656	8.1
New Enterprise Associates 9	5,000	4,728	1,324	701	1.2
New Enterprise Associates 10	10,000	5,667	6,188	3,275	5.7
New Enterprise Associates 11	5,000	1,767	1,943	1,028	1.8
Oak Investment Partners X	10,000	5,804	5,229	2,767	4.8
Oak Investment Partners XI	5,000	971	919	486	0.8
Sprout Capital IX	3,750	3,059	2,171	1,149	2.0
TCV IV	25,000	11,779	11,995	6,348	11.0
TCV V	5,000	2,766	2,642	1,398	2.4
Vanguard VII	3,000	2,048	1,029	545	0.9
VantagePoint Venture Partners IV	10,000	4,400	4,056	2,146	3.7
Wit Dawntreader Fund II	30,000	23,700	13,376	7,079	12.3
Wit VC Fund I**	500	428	–	–	–
Zone Ventures Fund II	10,000	9,500	4,193	2,219	3.8
Zone Ventures Fund II Annex	400	293	240	127	0.2
Total Unquoted Funds	**212,650**	**144,458**	**84,519**	**44,729**	**77.5**
Open-ended Investment Funds					
Global Treasury Funds plc	–	6,089	6,089	3,222	5.6
Total Open-ended Investment Funds	**–**	**6,089**	**6,089**	**3,222**	**5.6**
Hedge Funds					
Deutsche Bank AG London 0% Bonds	–	15,090	17,488	9,259	16.1
Total Hedge Funds	**–**	**15,090**	**17,488**	**9,259**	**16.1**

(Continued overleaf)

INVESTMENT PORTFOLIO (CONTINUED)

as at 31 March 2005

	Total commitment US$'000	*Drawndown book cost* US$'000*	*Market value US$'000*	*Market value £'000*	*% of net assets*
Other Investments held directly by the Company					
*Common Stock****					
Artemis International Solutions	–	1	–	–	–
UK BakBone Software Inc	–	99	25	13	–
Broadcom Corporation Class A	–	87	12	6	–
Wireless Facility Inc	–	552	211	112	0.2
Total Other Investments	**–**	**739**	**248**	**131**	**0.2**
Total Investments	**212,650**	**166,376**	**108,344**	**57,341**	**99.4**
Net current assets			**616**	**322**	**0.6**
Net assets			**108,960**	**57,663**	**100.0**

* Drawndown book cost is adjusted for capital distributions from the unquoted funds. For more details refer to notes 1 and 8 of the notes to the accounts.

** This holding has been valued at nil as the Directors consider the holding to have no value.

*** These were acquired as distributions from the portfolio of Venture Funds.

DIRECTORS AND SECRETARY

The following are the Directors of the Company:

Peter F. Dicks (appointed to the Board on 20 June 2002 and appointed Chairman on 28 July 2004) (Non-Executive Director) is aged 62. He was co-founder of Abingworth PLC in 1974, having previously pursued a career in stockbroking. He specialised in the selection and management of North American unquoted securities. He is chairman of Second London American Trust PLC, and a director of Polar Capital Technology Trust, Graphite Enterprise Trust Plc, Daniel Stewart Securities Plc, Sportingbet plc and Standard MicroSystems Corporation (a US Nasdaq listed company) and a number of other companies.

Colin Kingsnorth (appointed 22 October 2004), (Non-Executive Director) is aged 41. He has, since October 1999, been director and fund manager of Laxey Partners Limited. He co-founded Regent Fund Management (UK) Ltd in March 1995 and served as fund manager and chief executive officer until January 1999, when he left Regent to work on the establishment of Laxey. Prior to this, he was at Buchanan Partners Limited, where he managed emerging market funds from 1991. He holds a BSc in Economics and is an associate member of the Institute of Investment Management and Research. Laxey Partners Limited is the investment manager of funds which own 27.72% of the Company.

Rory Macnamara (appointed 22 October 2004), (Non-Executive Director) is aged 50. He qualified as a chartered accountant with Price Waterhouse and worked in merchant banking with Morgan Grenfell for 17 years (during which time it was acquired by Deutsche Bank AG). He was a director in corporate finance, head of mergers and acquisitions and vice chairman of Morgan Grenfell & Co Limited. In 1999, he joined Lehman Brothers, where he was a managing director in UK Investment Banking until 2001. He is currently chairman of Izodia PLC and a director of Raven Mount PLC.

Hon. Barbara S. Thomas (appointed 25 January 2000), (Non-Executive Director; was formerly the Executive Chairman of the Company until 28 July 2004) is aged 58. She is a past Commissioner of the US Securities and Exchange Commission, a US qualified lawyer with extensive senior international experience of financial services, legal and media organisations and is now resident in London. In 1996, she became a director of London American Growth Trust PLC and subsequently became a director of its successor company, Second London American Trust PLC, an investment trust specialising in US investments. A substantial part of this company's business is conducted through participation in a venture capital partnership whose manager is based in California. She is deputy chairman of Friends Provident Life Office PLC where she is a member of its investment committee. She was a director of News International PLC from 1993 to 1994. Between 1984 and 1986 she held senior positions at Samuel Montagu & Co Limited and from 1986 to 1990 she was senior vice president at Bankers Trust Company where she was responsible, inter alia, for investment and asset management business.

David Quysner (appointed 22 October 2004), (Non-Executive Director) is aged 58. He has spent more than 30 years in venture capital with 3i and subsequently with Abingworth, of which he is currently non-executive chairman. He has wide experience of making and managing investments in technology companies in both the USA and the UK. He served on the Stock Exchange Smaller Companies Working Party, which led to the creation of London's AIM market and subsequently sat on the AIM Advisory Committee. More recently, he was a member of the Treasury Working Party on the Financing of High Technology Companies. He was chairman of British Venture Capital Association in 1996/97. He is non-executive chairman of Comino Group plc and Finsbury Technology Trust plc and a director of ANGLE plc, Forsight 2 VCT plc and Prelude Trust plc.

SECRETARY

Sinclair Henderson Limited provides company secretarial and administrative services for the Company. It provides similar services for a number of other investment trusts. Sinclair Henderson Limited is a subsidiary undertaking of iimia Investment Group plc.

REPORT OF THE DIRECTORS

The Directors present their report and the accounts for the year ended 31 March 2005.

Principal activities and business review

The principal activity of the Company is to carry on business as an investment trust and the Directors do not envisage any change to this activity in the future.

A review of the Company's activities is given in the Chairman's Statement on pages 4 to 6 and in the Financial Review on pages 8 to 12.

On 22 October 2004, shareholders approved a number of changes to the Company's capital structure, through the re-purchase and cancellation of the Loan Notes owned by certain Directors. Full details of these changes are set out in Note 11 to the Accounts on page 40.

Status

The Company has received written approval from the Inland Revenue as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the accounting year ended 31 March 2004. In the opinion of the Directors, the Company has subsequently directed its affairs so as to enable it to continue to qualify for and seek such approval.

The Company is an investment company as defined under Section 266 of the Companies Act 1985. The Company's shares are qualifying investments for inclusion in Individual Savings Accounts ("ISAs").

The Articles of Association provide for shareholders to consider the continuation of the Company as an investment trust at the Annual General Meeting to be held in 2014 and at every fifth subsequent Annual General Meeting thereafter.

Net asset valuation

The net asset value per ordinary share at 31 March 2005 was 115.33p (2004: 127.94p).

Limited partnership interests are valued in accordance with the valuations provided by the managers of those funds. These valuations are updated as and when received and at least quarterly. The valuation methodology normally used by these funds is that the underlying investments are valued at cost (written down in the case of underperforming investments) or at the latest fund raising valuation or at fair market value determined in accordance with the relevant limited partnership agreement. In the case of marketable securities, the valuations are based on a mark to market basis.

Results

The results for the year and the proposed transfer from the revenue reserve are set out in the statement of total return on page 30. The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2005.

Management arrangements

The Board currently comprises 5 non-executive Directors who are collectively responsible, inter alia, for implementing the investment policy of the Company and for monitoring its investments. As the underlying investments made by the Company will substantially be in managed venture capital funds, the Company does not employ an investment manager but is self-managed by the Board. The Board reviews the quarterly reports received from the Limited Liability Partnerships and discusses performance with the General Partners. Pending investment in suitable venture capital funds, the cash resources of the Company have been invested either in a global treasury fund or in a hedge fund of funds. The Board considers that, as the Company is fully committed and the management function is one of active monitoring, it is in shareholders' interests to remain self-managed rather than employ an investment manager.

Until 24 March 2005, the Company also invested in a portfolio of fixed interest securities. This was managed by Cazenove Fund Management Limited under an agreement dated 31 January 2000 that was terminable by either party giving one month's notice. The management fee in respect of these investments was payable quarterly in arrears and calculated at an incremental rate based on the value

of the fixed interest portfolio, but subject to a minimum fee of £2,500 each quarter. Representatives from Cazenove Fund Management Limited periodically attended Board meetings.

Under the agreement to manage the fixed interest securities portfolio, Cazenove and Co. also provided custody services to the Company for these securities.

Part of the Company's unutilised cash resources have been invested in a fund investing in hedge funds. In July 2003 the Company invested $15 million in a leveraged Euro Medium Term Note issued by Deutsche Bank. The performance of this fund is reviewed regularly at Board meetings.

Under an agreement dated 31 January 2000 company secretarial and administrative services are provided by Sinclair Henderson Limited. The administration agreement may be terminated by giving not less than twelve months' notice.

Directors

The Directors are as shown on page 15.

Directors' interests

The interests of the Directors, their families and any beneficial trusts in the share capital of the Company at 31 March were:

Ordinary shares of 0.01p each:	*Beneficial and family*	
	31 March 2005	*31 March 2004 (or date of appointment if later)*
P F Dicks	**50,000**	–
C Kingsnorth**	–	–
R Macnamara**	–	–
D W Quysner**	–	–
Hon. B S Thomas	**12,600**	12,600
M A V de Candole*	–	52,031
T E Childs*	–	52,032
K Young*	–	15,537

* Resigned 25 October 2004

** Appointed 22 October 2004

At the date of this report there had been no further changes in the above holdings.

Details of certain of the Directors' interests in the Promoters' Incentive arrangements are described on page 26.

Substantial share interests

At 18 July 2005 the holdings representing 3% or more of the ordinary share capital, notified to the Company, were:

	Shares	***Shares***	*%*	***%***
Laxey Partners (VIC) Ltd		**13,859,800**		**27.72**
including				
– The Value Catalyst Fund Ltd	*8,379,800*		*16.76*	
– L.P. Value Ltd	*1,871,250*		*3.74*	
Deutsche Bank AG		**7,544,268**		**15.09**
Prudential plc		**2,305,000**		**4.61**
Bank of England Pension Fund		**2,200,000**		**4.40**

Corporate governance

The Company is committed to high standards of corporate governance and to the principles of good governance set out in the Revised Combined Code on Corporate Governance published in July 2003 ("the Code"). The listing rules of the Financial Services Authority require that the Company reports to its shareholders on how the principles of the Code have been applied. The Board is accountable to shareholders for the governance of the Company's affairs.

Directors' statement of compliance with the combined code

The Directors have reviewed the principles outlined in the Code and believe that, insofar as they are relevant to the Company's business as an investment trust, they have complied with the provisions of the Code which came into effect for accounting periods on or after 1 November 2003.

Board of Directors

A number of changes to the composition of the Board have occurred during the year. Peter Dicks was appointed as a Non-Executive Chairman on 28 July 2004 in place of Barbara Thomas who stepped down as Chairman but continued as an Executive Director. At the same time that shareholder approval for changes to the Company's capital structure was granted, the Board was restructured: Tim Childs, the Executive Managing Director, and Andrew de Candole and Keith Young, both Non-Executive Directors, resigned on 25 October 2004 and on that date Mrs Thomas became a Non-Executive Director. On 22 October 2004, Colin Kingsnorth, Rory Macnamara and David Quysner joined the Board as Non-Executive Directors. Thus the Board now consists of 5 Non-Executive Directors.

Keith Young acted as Senior Independent Director until his resignation on 25 October 2004. Following this date the Board decided that given the size and operation of the Board it was not appropriate to appoint a Senior Independent Director. Nor is there a Chief Executive as the Board feels that such an appointment is unnecessary. All current Directors are considered independent with the exception of Barbara Thomas, a former Executive Director of the Company and Colin Kingsnorth by virtue of his connections to Laxey Partners, a major shareholder. Biographies appear on page 15.

The Chairman, Peter Dicks, is deemed by his fellow Directors to be independent in character and judgement and free from conflicts of interest. He has a common cross directorship with David Quysner which is not deemed to affect the independent judgement of either party. He has no other significant commitments other than those disclosed in his biography on page 15.

Each of the Directors in office at 31 March 2005 has a letter of appointment with the Company. The appointment may be terminated by 12 months' notice.

Under the Articles of Association, all Directors are subject to retirement and re-election by shareholders every third year following their appointment or most recent re-election. Peter Dicks will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. Colin Kingsnorth, Rory Macnamara and David Quysner were appointed by the Board on 22 October 2004 and in accordance with Articles retire and offer themselves for election.

As noted on page 19, the Board recently carried out an evaluation process from which it concluded that all the current Directors contribute effectively, and demonstrate a high level of commitment to their role, and that together they provide the skills and experience that are relevant and necessary to the leadership and direction of the Company. Accordingly, the continuing appointment of each Director is recommended based on the following:

Peter Dicks has considerable knowledge of fund of funds, venture capital, investment management and financial markets in the UK and the USA and has experience elsewhere as chairman of a number of public companies, including investment trusts.

Colin Kingsnorth has extensive experience in fund management and is also able to inform the Board as to the interests of its principal shareholder.

Rory Macnamara is a chartered accountant who, in addition to many years of experience in corporate finance and investment banking, has recent and relevant financial expertise that equips him to chair the Audit Committee.

David Quysner has wide experience of venture capital investment in the UK and USA and of serving on the boards of other companies, including investment trusts.

The attendance of individual Directors and the number of Board meetings and committee meetings each Director could have attended during the year ended 31 March 2005 is shown in the table below:

	Board Meetings	*Audit*	*Remuneration*	*Nomination*	*Management Engagement*
Peter Dicks	15 (15)	3 (3)	3 (3)	2 (2)	1 (1)
Colin Kingsnorth	6 (6)	N/A	N/A	0 (0)	0 (0)
Rory Macnamara	5 (6)	1 (1)	0 (0)	0 (0)	0 (0)
David Quysner	4 (6)	1 (1)	0 (0)	0 (0)	0 (0)
Barbara Thomas	13 (15)	N/A	N/A	N/A	N/A
Tim Childs	9 (10)	N/A	N/A	N/A	N/A
Andrew de Candole	6 (10)	1 (2)	1 (2)	1 (1)	1 (1)
Keith Young	7 (10)	2 (2)	2 (2)	1 (1)	1 (1)

Board responsibilities

The Board is responsible for all matters of direction and control of the Company, including its investment policy, and no one individual has unfettered powers of decision. The Board is ultimately responsible for the appointment of all service providers, including the Company's bankers, determining the level of gearing, selecting suitable accounting policies and the publication of annual and interim reports and other forms of shareholder communication. The Directors meet approximately six times a year to review the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs. Additional meetings are held as required. The Company Secretary and Chairman liaise over the drafting of agendas to fully cover the Board's responsibilities. Procedures have been formalised in a schedule of matters specifically reserved for the decision of the Board, which has been adopted for all meetings.

The Company has in place Directors' and Officers' liability insurance for the reimbursement of legal defence costs.

Performance of the Board

The Board has implemented a procedure for reviewing its effectiveness on both an individual and collective basis through a formal appraisal process. The Chairman was responsible for undertaking the appraisal of each of the Directors and David Quysner coordinated the appraisal of the Chairman.

Committees

The Company has appointed a number of committees to monitor specific operations, each of which have formal written terms of reference.

Audit Committee

The Audit Committee meets at least twice a year to oversee the production of the interim and annual accounts, compliance with Accounting Standards and regulatory requirements. It operates within clearly defined terms of reference, a copy of which is available from the Company, which delegate specific responsibility for making recommendations to the Board as regards the appointment, re-appointment, and remuneration of the Auditor. The Committee has considered the independence and objectivity of the auditor, including a review of any non audit services that the auditor has provided, and has advised the Board that it is satisfied in these respects that Ernst & Young LLP has fulfilled its obligations to the Company and its shareholders. It also reviews the effectiveness of the Company's financial reporting and internal control policies. The Audit Committee comprises solely the independent Non-Executive Directors and is chaired by Rory Macnamara, a chartered accountant. Ernst & Young LLP, the Company's Auditor, attends meetings of the Audit Committee and has direct access to Committee members between meetings.

Nomination Committee

A Nomination Committee has been established which comprises Peter Dicks and David Quysner and is chaired by Rory Macnamara. The Committee is convened as and when necessary for the purpose of considering the appointment of new directors and operates under defined terms of reference. During the year the Company appointed three new Directors to replace the three founding Directors who resigned in October 2004.

The Company did not engage the services of an external recruitment agency to recruit the new directors on the basis of size and structure of the Company. Mr Kingsnorth was selected through his connection with the Company's major shareholder, Laxey Partners. Mr Macnamara and Mr Quysner were interviewed by the Directors and identified as persons possessing the appropriate skills required by the Company. All three were appointed as Directors following the restructuring of the Board after the Company's Annual General Meeting held in October 2004.

Remuneration Committee

The Remuneration Committee comprises Peter Dicks and David Quysner and is chaired by Rory Macnamara. The Directors' remuneration report on pages 24 to 26 explains the approach taken by the Committee to the structuring of remuneration for Directors. The Committee operates under clearly defined terms of reference.

Management Engagement Committee

A Management Engagement Committee chaired by Rory Macnamara is established to review the Company's arrangements for managing its investments including reviewing the decision to be self managed by the Board of Directors. The Committee, which comprises the independent Non–Executive Directors, also reviews the performance and contractual arrangements of the Company's other service providers.

Going concern

After due consideration, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal control review

The Directors acknowledge that they are responsible for the Company's system of internal control and for reviewing its effectiveness.

Throughout the year under review and up to the date of this report there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the Turnball guidance in the document 'internal controls: Guidance for Directors on the Combined Code'. This process is reviewed on a regular basis by the whole Board. Key procedures established with a view to providing effective financial control have been in place for the full financial year and up to the date the accounts were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute assurance against material misstatement or loss.

Internal control assessment process

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- The nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- The threat of such risks becoming a reality;

- The Company's ability to reduce the incidence and impact of risk on its performance; and

- The cost to the Company and benefits related to the Company and third parties operating the relevant controls.

Against this background, the review of risk and associated controls the Board has split the review into four sections reflecting the nature of the risks being addressed. These sections are as follows:

- Corporate strategy;

- Published information, compliance with laws and regulations;

- Relationship with service providers; and

- Investment and business activities.

Given the nature of the Company's activities and the fact that certain functions are subcontracted the Directors have obtained information from key third party suppliers regarding the controls operated. To enable the Board to make an appropriate risk and control assessment the information and assurances sought from third party suppliers include the following:

- Details of the control environment operated by the third party suppliers;

- Identification and evaluation of risks and control objectives by third party suppliers;

- Assessment of the communication procedures with third party suppliers; and

- Assessment of the control procedures operated by third party suppliers.

The key procedures that have been established with a view to providing effective internal financial control are as follows:

- Investment management of the fixed interest portfolio until their disposal prior to year end was provided by Cazenove Fund Management Limited. The Board was responsible for setting the overall investment policy and monitored the actions of the fixed interest portfolio manager at regular Board meetings.

- The Directors review the performance of the hedge fund of funds at their Board meetings.

- Investment decisions regarding the limited partnership portfolio are undertaken by the Board of Directors after due consideration of the investment policy of the Company.

- The provision of administration, accounting and company secretarial duties is the responsibility of Sinclair Henderson Limited. Cazenove and Co currently acts as custodian for the hedge fund investment.

- Custody of the fixed interest securities element of the Company's portfolio was undertaken by Cazenove & Co until their sale prior to year end.

- Copies of the limited partnership agreements are held by Eversheds.

- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another.

- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements.

- Mandates for authorisation of investment transactions and expense payments are set by the Board.

The Board reviews financial information produced by the Company Secretary on a regular basis.

The Audit Committee has reviewed the "whistle blowing" procedures of the Administrator and Company Secretary to ensure that concerns of staff at Sinclair Henderson Limited may be raised in a confidential manner.

The Company does not have an internal audit function as it considers that this would not be justified by its current system of operation, however, the need for such a function is reviewed on an annual basis.

In accordance with guidance issued to directors of listed companies, the Directors have carried out a review of the effectiveness of the systems of internal control as they have operated during the year.

The Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Sinclair Henderson Limited, who is responsible for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports.

Relations with shareholders

Communication with shareholders is given a high priority by the Board and the Directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the Annual General Meeting during which Directors and the Chairman of the Audit Committee will be available to discuss issues affecting the Company.

The Board invite major shareholders and analyists to presentations of its interim and annual results. Copies of the Interim and Annual reports are dispatched to shareholders by mail and are also available for down loading from both the Company's and Secretary's websites, being www.peiplc.com and www.sinclairhenderson.co.uk respectively. The net asset values are released on a monthly basis to the London Stock Exchange and to the AITC for posting into its website www.aitc.co.uk. The Board is directly responsible for all corporate activity that may affect the Company.

AITC Code on Corporate Governance

The Association of Investment Trust Companies ("AITC") Code of Corporate Governance, which sets out a framework of best practice for AITC member companies, has been noted by the Board.

Payment of suppliers

It is the Company's payment policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to terms used. The Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms.

As at 31 March 2005 there were no trade creditors (2004: none).

Annual General Meeting

The Notice of Annual General Meeting on page 48 sets out both the Ordinary Business and the Special Business to be conducted at the meeting.

There is one item of Special Business. Resolution 8 proposes to extend Company's powers, subject to certain defined parameters, to purchase the Company's shares in the market for a further year. A similar authority granted at last year's Annual General Meeting was not utilised during the year.

Auditors
Ernst & Young LLP has expressed its willingness to continue in office as Auditor and a resolution proposing its re-appointment will be proposed at the Annual General Meeting.

By order of the Board
SINCLAIR HENDERSON LIMITED
Secretary
18 July 2005

DIRECTORS' REMUNERATION REPORT

Until October 2004 the Remuneration Committee comprised solely of three Non-Executive Directors: Peter Dicks (Chairman), Andrew de Candole and Keith Young. Following the changes in the Board, outlined on page 18, the Committee has been chaired by Rory Macnamara with Peter Dicks and David Quysner as members.

The role of the Committee

The role of the Committee is to establish Board policy in respect of terms of employment and remuneration and to agree contractual terms for each Director and employee of the Company. The Committee seeks to encourage the enhancement of the Company's performance and to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate Directors and employees of the right calibre. In setting both the policy related to and levels of remuneration and benefits for Directors, the Committee may take account of market data and independent professional advice.

Review of remuneration structure

The remuneration structure which operated until 22 October 2004 was as set out in the Prospectus, which stated that the Company would be managed by the Directors, who would not receive a salary, but would be entitled to receive Directors' fees annually equal to 0.5 per cent.(exclusive of VAT) of the net assets of the Company calculated in accordance with the Articles of Association. With effect from 1 April 2003 this fee was allocated pursuant to a revised agreement entered into by the Directors on 3 November 2003 as a result of recommendations made by the Remuneration Committee.

Following the resignation of Tim Childs, Andrew de Candole and Keith Young on 25 October 2004 this remuneration structure changed. Peter Dicks, Colin Kingsnorth, Rory Macnamara and David Quysner each entered into a letter of appointment on 22 October 2004 and Barbara Thomas agreed revised terms in a new letter of appointment on 25 October 2004.

The Executive Directors received allowances for travel, parking and incidental expenditure, under the new letters of appointment the Directors are not entitled to an expense allowance but may claim out of pocket expenses incurred in carrying out their duties. The new letters of appointment include the following fixed fees:

Name	*Fees per annum*
Peter Dicks	£30,000
Colin Kingsworth	£20,000
Rory Macnamara	£20,000
David Quysner	£20,000
Hon. Barbara S. Thomas	£20,000

Each of the Directors is entitled to a 12 month notice period and is entitled to compensation for loss of office calculated by reference to the unexpired period of his or her appointment.

Directors' remuneration (audited)

The remuneration of the Directors for the year ended 31 March 2005 was as follows:

	2005		2004	
	Fees £'000	Travel and general expense allowance £'000	Fees £'000	Travel and general expense allowance £'000
Peter Dicks*	27	–	25	–
Colin Kingsworth**	9	–	–	–
Rory Macnamara**	9	–	–	–
David Quysner**	9	–	–	–
Hon. Barbara S. Thomas***	51	12.6	78	20.4
Andrew de Candole****	22	1.4	55	2.5
Timothy Childs****	95	14.0	184	20.4
Keith Young****	8	1.4	17	2.5
	230	29.4	359	45.8

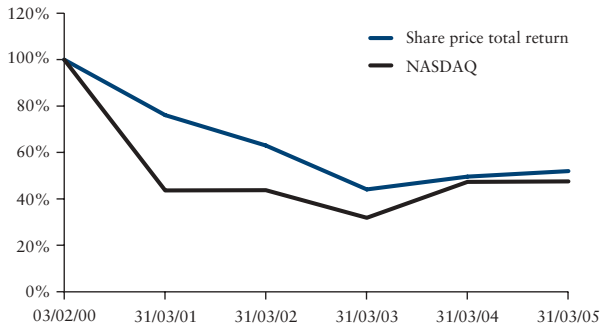
* Appointed Chairman from 28 July 2004.

** Appointed 22 October 2004.

*** Barbara Thomas has entered into a new letter of appointment effective from 25 October 2004.

**** Resigned 25 October 2004.

Your Company's performance



SOURCE: PRIVATE EQUITY INVESTOR

The graph above compares the total return to shareholders (assuming all dividends are reinvested) compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the NASDAQ Composite Index is calculated. This index was chosen for comparison purposes, as it is considered to represent a broad market index against which the performance of the Company's assets may be adequately assessed.

Directors' interests in the promoters' incentive arrangements

In consideration for its promotion of the concept and launch of the Company, Chamelle Limited ("Chamelle"), a company incorporated in the British Virgin Islands and owned as to 10% by Barbara S. Thomas, 41.625% by a company owned by the trustee of the Timothy Childs Life Interest Settlement, 41.625% by M Andrew V de Candole and 6.75% by Keith Young, all of whom have entered into certain incentive arrangements ("the Promoters' Incentive Arrangement"). Under these arrangements, Chamelle, has subscribed at par for £5,000 nominal value of convertible unsecured loan notes of Private Equity Investor which will automatically be converted into new ordinary shares in the Company on the following terms:

Conversion of convertible unsecured loan notes will take place at the end of every third financial year of the Company and on the day immediately preceding the winding-up of the Company and on any takeover. The number of the new ordinary shares issued to Chamelle on each such conversion will depend on the amount (if any) by which the net asset value (as shown in the audited accounts of the Company) plus the value of all the gross distributions by the Company exceeds an amount equal to the gross proceeds of the Placing increased at a compound annual growth rate of 8 per cent. over the period from Admission to the date at which the relevant conversion is calculated ("the Hurdle"). The conversion formula entitles Chamelle to receive on each conversion of the convertible unsecured loan notes that number of ordinary shares calculated by dividing the monetary value of 20 per cent. of the amount by which the increase in the Company's net asset value plus the value of all gross distributions by the Company over that period exceeds the Hurdle by the grossed-up net asset value per share (calculated in accordance with the formula) at the end of that period and deducting the aggregate number of shares issued on all previous conversions.

At the end of the relevant three year period the number of new ordinary shares arising on conversion will be calculated and the relevant ordinary shares will be issued at par. Application will be made for the ordinary shares so issued to be admitted to the Official List of the London Stock Exchange. If all the convertible unsecured loan notes are converted under these arrangements the noteholders have the right to subscribe for further loan notes on the same terms.

If any person obtains control of the Company as a result of making a general offer and subsequently the Company is wound-up, the noteholders are entitled to compensation based on a genuine pre-estimate of their loss for the period from the commencement of the winding-up to 31 August 2014 calculated by reference to the average historic net internal rate of return of the managers of the venture capital funds and limited partnerships in which the Company has invested.

The loan notes were repurchased by the Company on 25 October 2004 and cancelled.

The Directors' remuneration report on pages 24 to 26 was approved by the Board of Directors on 18 July 2005 and signed on its behalf by Peter Dicks (Chairman).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that year.

In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They also have responsibility for safeguarding the assets of the Company and for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

The accounts are published on www.peiplc.com, which is a website maintained by the Company and on www.sinclairhenderson.co.uk, which is a website maintained by the Company Secretary. The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

REPORT OF THE INDEPENDENT AUDITOR

to the members of Private Equity Investor PLC

We have audited the Company's accounts for the year ended 31 March 2005 which comprise Statement of Total Return, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These accounts have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including the accounts which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in respect of the accounts. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Report of the Directors, unaudited part of the Directors' Remuneration Report, the Company, Summary of results and financial highlights, Chairman's statement, the Company's Top 25 Underlying Investments, Financial Review, Investment Portfolio, Directors and Secretary, Glossary of terms, Company Information and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2005 and of the return of the Company for the year then ended; and

- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG LLP
Registered Auditor
London
18 July 2005

STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT*)

for the year ended 31 March 2005

		Year ended 31 March 2005			*Year ended 31 March 2004*		
	Notes	***Revenue*** *£'000*	***Capital*** *£'000*	***Total*** *£'000*	*Revenue £'000*	*Capital £'000*	*Total £'000*
Losses on investments	8	**–**	**(4,113)**	**(4,113)**	–	(7,216)	(7,216)
Exchange losses on capital items	8	**–**	**(54)**	**(54)**	–	(102)	(102)
Income	2	**297**	**–**	**297**	552	–	552
Expenses	3	**(1,155)**	**–**	**(1,155)**	(1,081)	–	(1,081)
Return on ordinary activities before finance costs and taxation		**(858)**	**(4,167)**	**(5,025)**	(529)	(7,318)	(7,847)
Premium paid on repurchase of convertible unsecured loan notes	11	**–**	**(1,295)**	**(1,295)**	–	–	–
Return on ordinary activities before taxation		**(858)**	**(5,462)**	**(6,320)**	(529)	(7,318)	(7,847)
Taxation on ordinary activities	6	**15**	**–**	**15**	–	–	–
Return on ordinary activities after taxation for the financial year		**(843)**	**(5,462)**	**(6,305)**	(529)	(7,318)	(7,847)
Transfer from reserves		**(843)**	**(5,462)**	**(6,305)**	(529)	(7,318)	(7,847)
Return per ordinary share	7	**(1.69)p**	**(10.92)p**	**(12.61)p**	(1.06)p	(14.63)p	(15.69)p

*The revenue column of this statement is the revenue account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

The notes on pages 33 to 45 form part of these accounts.

BALANCE SHEET

as at 31 March 2005

	Notes	*31 March 2005 £'000*	*31 March 2004 £'000*
Fixed assets			
Investments	8	**57,341**	61,696
Current assets			
Debtors	9	**628**	1,094
Cash at bank		**9**	1,563
		637	2,657
Creditors – amounts falling due within one year	10	**315**	380
Net current assets		**322**	2,277
Total assets less current liabilities		**57,663**	63,973
Creditors – amounts falling due after one year			
Convertible unsecured loan notes	11	**–**	5
Net assets		**57,663**	63,968
Share capital and reserves			
Called up share capital	12	**5**	5
Share premium account	13	**96,862**	96,862
Capital reserve – realised	13	**7,971**	11,092
– unrealised	13	**(47,287)**	(44,946)
Revenue reserve	13	**112**	955
Shareholders' funds – equity interests	14	**57,663**	63,968
Net asset value per ordinary share	17		
– Basic		**115.33p**	127.94p

These accounts were approved by the Board of Directors on 18 July 2005.

PETER DICKS
Chairman

The notes on pages 33 to 45 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2005

	Notes	*Year ended 31 March 2005 £'000*	*Year ended 31 March 2004 £'000*
Operating activities			
Investment income received		**268**	911
Deposit interest received		**96**	68
Secretarial fees paid		**(76)**	(81)
Other cash payments		**(1,190)**	(908)
Net cash outflow from operating activities	15	**(902)**	(10)
Servicing of finance			
Premium paid on repurchase and cancellation of convertible unsecured loan notes		**(1,295)**	–
Net cash outflow from servicing of finance		**(1,295)**	–
Taxation			
Tax recovered		**750**	–
Net cash inflow from taxation		**750**	–
Capital expenditure and financial investment			
Purchases of investments		**(24,138)**	(29,471)
Sales of investments		**24,033**	29,779
Deferred gain on capital items		**59**	102
Realised currency losses		**(158)**	(2)
Net cash (outflow)/inflow from capital expenditure and financial investment		**(204)**	408
Equity dividends paid		**–**	(350)
Net cash (outflow)/inflow before and after financing		**(1,651)**	48
(Decrease)/increase in cash	16	**(1,651)**	48

The notes on pages 33 to 45 form part of these accounts.

NOTES TO THE ACCOUNTS

at 31 March 2005

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice regarding the Financial Statements of Investment Trust Companies ("SORP") issued in January 2003.

Income recognition

Dividends receivable on quoted equity and non-equity shares are included in the accounts when the investments concerned are quoted 'ex-dividend'. Dividends receivable on equity and non-equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Interest receivable is included on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment; and
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

Investments

Unquoted fixed asset investments are stated at Directors' valuation, further details of which can be found in the Report of the Directors on pages 16 to 23.

Quoted investments are valued at the mid-market price on the relevant stock exchange.

Any unrealised profits and losses are taken to the capital reserve – unrealised. Any realised profits and losses arising on the disposal of investments are taken to the capital reserve – realised.

Capital distributions received from investments are accounted for on a reducing cost basis; cash and stock distributions received are first applied to reducing the historical cost of an investment; a realised gain will be recognised only when the cost has been reduced to nil.

Subsidiary undertakings

Net Investor Limited (formerly Private Equity Investor Limited) and Private Equity International Limited are two nominee companies incorporated with share capital of £1 each issued and fully paid. They were incorporated to register the business names of Private Equity Investor and Private Equity International. They have not traded during the year and have not been consolidated as they are, in the Directors' opinion, immaterial to the accounts.

Foreign currency

Transactions denominated in foreign currencies are converted to sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard No. 19: Deferred Taxation.

2 INCOME

	2005 £'000	*2004* £'000
Income from investments:		
Interest from US fixed interest investments	**23**	–
Interest from European fixed interest investments	**165**	523
Interest from open-ended investment funds	**16**	–
	204	523
Other income:		
Deposit interest	**43**	29
Interest received on tax recovered	**50**	–
Total income	**297**	552
Total income comprises:		
Interest	**297**	552

3 EXPENSES

	2005 £'000	*2004* £'000
Secretarial services	**83**	81
Auditor's remuneration (also see # on page 35) for:		
– audit	**21**	20
– other services to the Company	**2**	–
Directors' remuneration (see note 5)	**230**	359
Other expenses – irrecoverable VAT	**76**	65
– operating lease	**35**	35
– public relations and advertising	**37**	43
– investment manager fees (listed portfolio)	**11**	15
– legal and professional fees	**384**	182
– office expenditure	**17**	21
– staff costs (see note 4)	**64**	43
– banking and custody charges	**5**	4
– broker's and sponsor's fees	**13**	15
– other expenses	**177**	198
	1,155	1,081

3 EXPENSES – continued

	2005 £'000	2004 £'000
# Total fees paid to the Auditor for the year comprised:		
Audit services		
– statutory audit	**21***	20*
Other services		
– general advice relating to investments	**2***	–
– specific advice relating to hedge funds in which the Company is invested	**–**	27**
	23	47

* Charged to revenue.
** Included within the cost of the relevant investments.

4 STAFF COSTS

	2005 £'000	2004 £'000
Salaries and other payments	**57**	39
Social security costs	**7**	4
	64	43

With the exception of the Directors, whose remuneration is shown in note 5, the Company had one member of staff employed during the year (2004: one member of staff).

5 DIRECTORS' REMUNERATION

For details of Directors' Remuneration see page 25.

6 TAXATION ON ORDINARY ACTIVITIES

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 30%	**–**	**–**	**–**	–	–	–
Over provision in previous years	**(15)**	**–**	**(15)**	–	–	–
	(15)	**–**	**(15)**	–	–	–

6 TAXATION ON ORDINARY ACTIVITIES – continued

The Company is subject to corporation tax at 30% (2004: 30%). As at 31 March 2005 the current taxation charge in the Company's revenue account is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 ***£'000***	*2004* *£'000*
Reconciliation of the tax charge for the year:		
Return on ordinary activities before taxation	**(858)**	(529)
Theoretical corporation tax at 30%	**(257)**	(159)
Effects of:		
– excess management expenses	**159**	159
– expenses disallowed for taxation purposes	**98**	–
– adjustment in respect of prior years	**(15)**	–
Current tax charge – revenue account	**(15)**	–

At 31 March 2005, the Company had no unprovided deferred tax liabilities (2004: £nil). At that date, based on current estimates and including the accumulation of net allowable management expenses deriving from its partnership interests in its Venture Capital Funds, the Company had surplus management expenses of approximately £5,210,000 (2004: £2,511,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus expenses.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 RETURN PER ORDINARY SHARE

	2005			*2004*		
	Revenue *pence*	***Capital*** *pence*	***Total*** *pence*	*Revenue* *pence*	*Capital* *pence*	*Total* *pence*
Basic	**(1.69)**	**(10.92)**	**(12.61)**	(1.06)	(14.63)	(15.69)

Basic revenue return per ordinary share is based on the net deficit on ordinary activities after taxation of £843,000 (2004: net deficit of £529,000), and on 50,000,000 (2004: 50,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on net capital losses for the year of £5,462,000 (2004: £7,318,000), and on 50,000,000 (2004: 50,000,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

On 26 March 2001 the Company issued £5,000 of 0.01p convertible unsecured loan notes which on conversion would lead to a dilution of the Company's return per share. However, at 31 March 2004, no shares would have become issuable. On 25 October 2004 the convertible unsecured loan notes were repurchased from Chamelle Limited and cancelled.

8 INVESTMENTS

	2005	*2004*
	£'000	*£'000*
a) Investment portfolio summary		
USA		
Listed investments		
– common stock	**118**	212
Unlisted investments	**44,729**	38,863
Other listed investments		
– hedge funds	**9,259**	18,064
– open-ended investment funds	**3,222**	–
– common stock	**13**	39
– fixed interest securities	**–**	4,518
	57,341	61,696

A full listing of the investment portfolio is provided on pages 13 and 14.

8 INVESTMENTS – continued

	Listed loan stock £'000	*Listed equities £'000*	*Listed hedge funds £'000*	*Listed open-ended investment funds £'000*	*Unlisted funds £'000*	*Total £'000*
b) Analysis of investment portfolio movements						
Opening book cost	5,002	478	18,485	–	82,768	106,733
Opening unrealised depreciation	(484)	(227)	(421)	–	(43,905)	(45,037)
Opening valuation	4,518	251	18,064	–	38,863	61,696
Movements in the year:						
Purchases at cost	3,876	–	–	7,464	481	11,821
Calls at cost	–	–	–	–	12,317	12,317
Sales						
– proceeds	(8,211)	(747)	(8,946)	(4,092)	–	(21,996)
– realised losses on sales	(667)	(143)	(483)	(144)	(269)	(1,706)
Book cost adjustments from capital distributions						
– cash distributions	–	–	–	–	(2,346)	(2,346)
– stock distributions	–	890	–	–	(890)	–
Unrealised appreciation/ (depreciation)	484	(120)	624	(6)	(3,427)	(2,445)
Closing valuation	**–**	**131**	**9,259**	**3,222**	**44,729**	**57,341**
Closing book cost	–	478	9,056	3,228	92,061	104,823
Closing unrealised (depreciation)/ appreciation	–	(347)	203	(6)	(47,332)	(47,482)
	–	**131**	**9,259**	**3,222**	**44,729**	**57,341**

8 INVESTMENTS – continued

	2005 £'000	2004 £'000
c) Analysis of capital gains and losses		
Realised losses on sales of investments	**(1,706)**	(413)
Commission realised on disposal in respect of hedge fund	**38**	–
Increase in unrealised capital depreciation	**(2,445)**	(6,803)
Losses on investments	**(4,113)**	(7,216)
Realised exchange losses on capital items	**(158)**	(2)
Unrealised exchange gains/(losses) on capital items	**104**	(100)
Exchange losses on capital items	**(54)**	(102)

d) Significant holdings

The Company owns 11.87% and 10.22% of the total value of the called capital of the Limited Partnerships in Wit Dawntreader Fund II and Zone Ventures Fund II respectively.

9 DEBTORS – amounts falling due within one year

	2005 £'000	2004 £'000
Amounts due from brokers	**549**	195
Prepayments and other debtors*	**79**	92
Accrued income	**–**	67
Corporation tax recoverable	**–**	735
Amounts due in respect of convertible unsecured loan notes	**–**	5
	628	1,094

* Included in prepayments and other debtors is £25,000 in respect of a rental deposit which is held as security for the due observance and performance of the covenants contained in an operating lease in respect of the premises and, provided these terms and conditions are adhered to, is refundable on the expiration or sooner determination of the lease.

10 CREDITORS – amounts falling due within one year

	2005 £'000	2004 £'000
Accruals	**151**	276
Other taxation and social security	**3**	2
Deferred gains on capital items	**161**	102
	315	380

11 CREDITORS – amounts falling due after more than one year

	2005 £'000	2004 £'000
0.5% convertible unsecured loan notes	–	5

On 25 October 2004 the convertible unsecured loan notes were repurchased from Chamelle Limited for £1,300,000 and cancelled. The net amount paid of £1,295,000 represents the £1,300,000 on redemption less £5,000 owed by Chamelle Limited to Private Equity Investor PLC in settlement of the £5,000 cost of the convertible unsecured loan notes on original issue. The premium of £1,295,000 paid on redemption has been charged 100% to capital.

The conversion dates of the convertible unsecured loan notes arose at the end of every third financial year of the Company. The terms of conversion are as set out on page 26.

As soon as practicable following a conversion date a proportion of the notes calculated in accordance with a formula set out in the loan note issue document would have been converted into ordinary shares of 0.01p each in the capital of the Company to be issued by the Company to the noteholders pro rata to their holdings of notes credited as fully paid up at par.

The first such conversion date arose on 31 March 2003, however no convertible unsecured loan notes were converted since the terms of conversion in order for the shares to be issued had not been met.

12 CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised:		
100,000,000 ordinary shares of 0.01p each	**10**	10
50,000 redeemable preference shares of £1.00 each	**50**	50
	60	60
Allotted, called up and fully paid:		
50,000,000 ordinary shares of 0.01p each	**5**	5

13 RESERVES

	Share premium account £'000	Capital reserve –realised £'000	Capital reserve –unrealised £'000	Revenue reserve £'000
Beginning of year	96,862	11,092	(44,946)	955
Movement in unrealised depreciation before transfer on disposal	–	–	(3,736)	–
Transfer on disposal of investments	–	(1,291)	1,291	–
Net losses on realisation of investments	–	(415)	–	–
Commission realised on disposal in respect of hedge fund	–	38	–	–
Premium paid on repurchase and cancellation of convertible unsecured loan notes (see note 11)	–	(1,295)	–	–
Exchange differences on capital items	–	(158)	7	–
Exchange differences on currency	–	–	97	–
Retained deficit for the year	–	–	–	(843)
End of year	**96,862**	**7,971**	**(47,287)**	**112**

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Revenue reserve		
Net deficit for the year	(843)	(529)
Capital reserve		
Recognised capital losses	(4,167)	(7,318)
Premium paid on repurchase and cancellation of convertible unsecured loan notes	(1,295)	–
Net reduction in shareholders' funds	(6,305)	(7,847)
Opening shareholders' funds	63,968	71,815
Closing shareholders' funds	57,663	63,968

15 RECONCILIATION OF NET DEFICIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Net deficit before finance costs and taxation	(858)	(529)
(Decrease)/increase in creditors and accruals	(124)	120
Decrease in prepayments and accrued income	80	399
Net cash outflow from operating activities	(902)	(10)

16 RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	2005 £'000	2004 £'000
(Decrease)/increase in cash in the year	(1,651)	48
Effect of foreign exchange rate movements	97	(100)
Movement in net funds	(1,554)	(52)
Net funds at beginning of the year	1,563	1,615
Net funds at end of the year	9	1,563

Net funds are comprised as follows:

	2005 £'000	2004 £'000
Cash at bank	9	1,563

17 NET ASSET VALUE PER ORDINARY SHARE

The basic net asset value per ordinary share is based on net assets of £57,663,000 (2004: £63,968,000) and on 50,000,000 (2004: 50,000,000) ordinary shares, being the number of shares in issue at the year end.

Fully diluted net asset value per ordinary share at 31 March 2004 was calculated on the assumption that the convertible unsecured loan notes in issue at the time were fully converted into ordinary shares of 0.01p each. At 31 March 2004, nil additional shares would have become issuable and there was therefore no effect on the Company's net asset value per ordinary share. On 25 October 2004 the convertible unsecured loan notes were repurchased from Chamelle Limited and cancelled.

18 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2005 there were financial commitments outstanding of £27.1 million (2004: £37.7 million) in respect of outstanding call commitments to limited partnerships.

Subsequent to the year end the Company sold its holdings in New Enterprise Associates 11 and TCV V, thus releasing itself of £2.9 million call commitments.

The Company had annual commitments of £38,250 at 31 March 2005 (2004: £38,250) under an operating lease in respect of premises. The operating lease commitment will expire after more than one year but within two years of the balance sheet date.

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

As detailed on page 1, the primary investment objective of the Company is to seek to acheive substantial long-term capital appreciation for shareholders. This is principally achieved by investing in unquoted, specialist US venture capital funds.

The Company's financial instruments comprise securities and other investments and bank deposits which are held to achieve its investment objective as well as debtors and creditors that arise from its operations, for example sales and purchases of securities awaiting settlement and debtors for accrued income.

The principal risks the Company faces through the holding of financial instruments are:

- liquidity/marketability risk;
- interest rate risk;
- market price risk; and
- foreign currency risk.

The Directors do not consider that the Company has significant exposure to credit risk. The Board monitors the financial risks affecting the Company on a regular basis. The Directors receive financial information on a regular basis which is used to identify and monitor risk.

As required by Financial Reporting Standard No. 13: Derivatives and other financial instruments, an analysis of financial assets and liabilities, which identifies the risk to the Company of holding such items, is given below.

Financial assets

Full analysis of the Company's investment portfolio is given on pages 13 and 14. The method of valuing the fixed asset investments is discussed in the accounting policies of the Company in note 1 on page 33. Cash and debtors arising from the operations of the Company as at 31 March 2005 amounted to £9,000 (2004: £1,563,000) and £628,000 (2004: £1,094,000) respectively. There were no material differences between the fair values of the investments as at 31 March 2005 and 31 March 2004 and the values attributable to those investments within the accounts.

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Liquidity risk

The nature of the Company's investment policy of investing in specialist US venture capital funds means that a large proportion of the securities which it owns are less readily marketable than, for example, 'blue-chip' UK equities. In order to reduce risk, research and due diligence work is performed before any commitment is made to a fund manager. The Company holds its surplus cash in a global treasury fund and a hedge fund investment. The treasury fund can be converted to cash at short notice and the hedge fund investment can be converted to cash on 70 days notice, although an Early Repayment Amount is payable if any part of the hedge fund investment is sold prior to the third anniversary of the issue date. The Early Repayment Amount is US$10,000 per US$100,000 unit initially, reducing linearly to zero on the third anniversary of the issue date, and zero thereafter. The issue date of the hedge fund was 3 July 2003.

Interest rate risk

The Company invests its surplus cash in a global treasury fund and a hedge fund investment. However, these are held with a short to medium term maturity and changes in interest rates have little effect on the portfolio.

As at 31 March 2005, the average interest rate profile of the Company's financial assets was as follows:

	Fixed rate *£'000*	***Floating rate*** *£'000*	***No interest associated*** *£'000*	***Weighted average interest rate*** *%*	***Weighted average time to maturity*** *months*
Open-ended investment funds	**–**	**3,222***	**–**	**–**	**–**
Quoted equities	**–**	**–**	**131**	**–**	**–**
Quoted hedge funds	**–**	**–**	**9,259**	**–**	**–**
Unquoted funds	**–**	**–**	**44,729**	**–**	**–**
Cash	**–**	**9****	**–**	**–**	**–**
Debtors	**–**	**–**	**628**	**–**	**–**
	–	**3,231**	**54,747**		

As at 31 March 2004, the average interest rate profile of the Company's financial assets was as follows:

	Fixed rate *£'000*	*Floating rate* *£'000*	*No interest associated* *£'000*	*Weighted average interest rate* *%*	*Weighted average time to maturity* *months*
Quoted loan stocks	4,518	–	–	4.34	40
Quoted equities	–	–	251	–	–
Quoted hedge funds	–	–	18,064	–	–
Unquoted funds	–	–	38,863	–	–
Cash	–	1,563**	–	–	–
Debtors	–	–	1,094	–	–
	4,518	1,563	58,272		

* The objective of the fund is to achieve a wholesale money market rate of return.
** Exposure to floating interest rate risk is based on an adjusted LIBOR rate.

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Market price risk
Since the Company invests in financial instruments, market price risk is inherent. The Company will always face uncertainty as to the future price of the financial instruments in which it is invested. This risk represents the potential loss the Company may suffer in the light of adverse market price movements.

The Financial Review on pages 8 to 12 provides information in respect of the investments. The method of valuing the investments is discussed in the accounting policies on page 33.

Foreign currency risk
Due to the Company's holdings being wholly overseas, the Company is also exposed to the risk of movement in the Sterling/Dollar exchange rate. The Company does not nor does it intend to hedge the portfolio against any movement in the exchange rate.

The Company settles its transactions from its bank accounts at an agreed rate of exchange on the date on which any bargain was made. For the year ended 31 March 2005, realised exchange losses of £158,000 (2004: losses of £2,000) and unrealised gains relating to currency and other capital items of £104,000 (2004: losses £100,000), have been taken to the capital reserve.

Details of the foreign currency exposure are detailed in the table below.

At 31 March 2005	***Investment portfolio**** £'000	***Cash*** £'000	***Other current assets*** £'000
USA	**57,328**	**–**	**–**
UK	**–**	**9**	**628**
Canada	**13**	**–**	**–**
	57,341	**9**	**628**

At 31 March 2004	*Investment portfolio** £'000	*Cash* £'000	*Other current assets* £'000
USA	61,657	1,027	262
UK	–	536	832
Canada	39	–	–
	61,696	1,563	1,094

* All portfolio stocks are US dollar denominated, with the exception of the Canadian investment.

19 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES – continued

Financial liabilities

The Company finances its operations primarily through equity and retained revenue although trade creditors and accruals arise from its operations. At 31 March 2005 and 31 March 2004, all financial liabilities were due within one year with the exception of the Company's share capital, and at 31 March 2004 the loan notes which were convertible at the end of every third financial year of the Company, as described further in note 11, and totalled £5,000 at 31 March 2004. Other financial liabilities amount to £315,000 (2004: £380,000) and result from operating activities.

There were no borrowing facilities either drawn or undrawn at any time during the year.

20 RELATED PARTY TRANSACTIONS

Immediately following admission, the Company purchased from Chamelle Limited, a company then wholly owned by Andrew de Candole and by a company owned by the trustee of the Timothy Childs Life Interest Settlement, the assets of Chamelle Limited comprising its investment in Draper Fisher Jurvetson Fund VI LP and Wit VC Fund I LP described above, which were subscribed by Chamelle Limited on the launch of those funds, at original cost, for an aggregate consideration of $655,000 plus expenses. Insinger de Beaufort, the Company's financial adviser, performed an independent validation of the consideration.

For details of loan notes see page 26.

On 25 October 2004 and following shareholder approval at an Annual General Meeting held on 22 October 2004 the Company re-purchased for £1,295,000 in cash the convertible loan note from Chamelle Limited, a company then owned by Andrew de Candole, the trustee of the Timothy Childs Life Interest Settlement, Barbara Thomas and Keith Young. The Company also agreed to pay Chamelle Limited £14,338.75 plus VAT in respect of its legal costs.

Peter Dicks alone, as an Independent Director, negotiated this agreement on behalf of the Company.

GLOSSARY OF TERMS

Net asset value ("NAV")

The NAV is the shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all the Company's assets, at current market value, having deducted all prior charges at their par value (or at their asset value).

Discount

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Total return

The combined effect of any dividends paid, together with the rise or fall in the NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

Total expense ratio

The total expenses incurred by the Company (excluding interest costs) as a percentage average of total assets less current liabilities.

COMPANY INFORMATION

DIRECTORS
Peter Dicks (Non-Executive Chairman)
Colin Kingsworth (Non-Executive)
Rory Macnamara (Non-Executive)
David Quysner (Non-Executive)
Hon. Barbara S. Thomas (Non-Executive)

SECRETARY AND REGISTERED OFFICE
Sinclair Henderson Limited
23 Cathedral Yard
Exeter EX1 1HB
Tel: 01392 412122
Fax: 01392 253282

MANAGER
Private Equity Investor PLC
33 St James's Street
London SW1A 1HD
Tel: 0207 930 5600
Fax: 0207 930 5344
e-mail: nicky@peiplc.com
www.peiplc.com

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London EC4V 4JL

BANKERS
Lloyds TSB Bank Plc
234 High Street
Exeter EX4 3NL

STOCKBROKERS
Cazenove and Co Limited
20 Moorgate
London EC2R 6DA

AUDITORS
Ernst & Young LLP
1 More London Place
London SE1 2AF

REGISTRAR & TRANSFER OFFICE
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Tel: 01484 600900
Fax: 01484 600911

SOURCES OF FURTHER INFORMATION
The Company's share price is listed in the Financial Times under "Investment Companies".

KEY DATES

March	Company year end
July	Annual results
September	Annual General Meeting
December	Interim results

FREQUENCY OF NAV PUBLICATION
The Company's net asset value is released to the Stock Exchange on a monthly basis and is updated on the Company's web page:- www.peiplc.com.

Further copies of the annual report may be obtained from the Company Secretary.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Private Equity Investor PLC will be held at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2 1NT at 11 am on Friday 23 September 2005, for the following purposes:

Ordinary business

1. To adopt the accounts for the year ended 31 March 2005, together with the Reports of the Directors and Auditors.
2. To receive the Directors' remuneration report.
3. To re-elect P Dicks as a Director of the Company.
4. To elect C Kingsnorth as a Director of the Company.
5. To elect R Macnamara as a Director of the Company.
6. To elect D Quysner as a Director of the Company.
7. To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.

Special business

To propose as a Special Resolution the following:

8. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of its issued shares of 0.01p each in the capital of the Company ("shares").

   provided always that

   (i) the maximum number of shares hereby authorised to be purchased shall be 7,495,000;

   (ii) the minimum price which may be paid for a share shall be 0.01p;

   (iii) the maximum price which may be paid for a share shall be an amount equal to 105 per cent of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is purchased;

   (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors);

   (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2006 unless the authority is renewed at any other general meeting prior to such time; and

   (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

Registered Office:
23 Cathedral Yard
Exeter EX1 1HB

By Order of the Board
SINCLAIR HENDERSON LIMITED
Secretary
18 July 2005

NOTES:

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.
2. A form of proxy is attached for use in connection with the business set out above. This form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, to reach the Registrar at the address printed on the form of proxy not later than 12 noon on 21 September 2005.
3. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 12 noon on 21 September 2005 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 12 noon on 21 September 2005 ('the specified time') shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
4. The Articles of Association and register of Directors' interests in the ordinary shares of the Company will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays and Public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.
5. By attending the Meeting, shareholders (and any proxies or representatives they appoint) agree that they are expressly requesting and that they are willing to receive any communications (including communications relating to the Company's securities) made at the Meeting.

NOTES

FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING OF PRIVATE EQUITY INVESTOR PLC

I/We (Block Capitals please) .....

.....

being a member/members of Private Equity Investor PLC ("the Company"), hereby appoint the Chairman of the Meeting/

.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Tavistock Communications, 131 Finsbury Pavement, London EC2A 1NT at 11 am on Friday 23 September 2005, and at any adjournment thereof.

Signature .....

Date 2005

Please indicate with an X in the spaces below how you wish your votes to be cast.

		FOR	AGAINST
RESOLUTION 1	To adopt the accounts for the year ended 31 March 2005, together with the Reports of the Directors and Auditors.		
RESOLUTION 2	To receive the Directors' remuneration report.		
RESOLUTION 3	To re-elect P Dicks as a Director of the Company.		
RESOLUTION 4	To elect C Kingsnorth as a Director of the Company.		
RESOLUTION 5	To elect R Macnamara as a Director of the Company.		
RESOLUTION 6	To elect D Quysner as a Director of the Company.		
RESOLUTION 7	To re-appoint Ernst & Young LLP as Auditor to the Company, and to authorise the Directors to determine their remuneration.		
RESOLUTION 8	To approve the passing of Resolution 8 authorising the Company to purchase its shares as set out in the Notice of Annual General Meeting.		

NOTES:

1. A member may appoint a proxy of his/her own choice. If such an appointment is made, delete the words 'the Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, and on any other business which comes before the meeting, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Registrar not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.

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Capita Registrars
The Proxy Department
P.O. Box 25
Beckenham
Kent
BR3 4BR

Second fold