Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PRINCESS PRIVATE EQUITY HOLDING LIMITED

Annual Report 2016

Audited consolidated financial statements for the period from 1 January 2016 to 31 December 2016

Princess Private Equity Holding Limited

Princess Private Equity Holding Limited ("Princess" or the "Company") is an investment holding company domiciled in Guernsey that invests in private equity and private debt. The portfolio mainly invests directly but also holds primary and secondary fund investments. Princess aims to provide shareholders with long-term capital growth as well as an attractive dividend yield. The shares are traded on the premium main market of the London Stock Exchange.

Key figures

In EUR	31 December 2015	31 December 2016
Net asset value (NAV)	657'386'211	**702'908'422**
NAV per share	9.51	**10.16**
Total dividend per share (year to date)	0.54	**0.54**
Share price	7.87	**8.63**
Discount	-17.2%	**-15.1%**
Cash and cash equivalents	59'765'660	**65'750'622**
Credit line used	0	**0**
Value of investments	614'608'591	**650'812'576**
Unfunded commitments	131'803'757	**103'263'145**
Investment level	93.5%	**92.6%**
Net current assets	42'777'620	**52'095'846**
Commitment ratio	13.5%	**7.3%**
Gross commitment ratio	5.9%	**0.2%**

Past performance is not indicative of future results.

Net current assets: As per reporting date, calculated based on net asset value less total investments at fair value through profit or loss.

Gross commitment ratio: As per reporting date, calculated based on net of investment unfunded commitments less (i) net current assets and (ii) undrawn credit facility, all divided by net asset value.

Table of contents

1. Chairman's report

Dear valued investor,

As Chairman of the Board of Princess Private Equity Holding Limited, I present the 2016 Annual Report to shareholders.

During the course of the year, Princess continued to implement its strategy to participate in direct equity and debt investments. Direct investments now account for 76% of the portfolio, as compared to 68% at the end of 2015. The investment level, currently at 92.6%, is expected to increase marginally in 2017. The Investment Manager for Princess, Partners Group, continues to adopt a global relative value approach across geographies and industries when identifying attractive new investment opportunities. There is a focus on the small to medium buyout segment as this has been seen as and remains an area offering attractive growth potential and reasonable valuations. The Board regards the healthy performance of the portfolio as evidence of the validity of this approach.

The investment objective continues to be to seek an attractive dividend yield of between 5% and 8% of the opening NAV p.a., with the lower end of the range being the more likely outcome in the current interest rate environment. The remaining return will be reinvested to achieve long term capital growth.

In terms of capital growth, Princess' audited NAV increased in 2016 by 6.8% to EUR 10.16 per share. On a total return basis, which is adjusted for total dividends paid in the course of the year, the increase was 12.9%. Strong growth in the portfolio companies' earnings and record realization activity were the main drivers behind the favorable NAV development. Further details concerning the performance and composition of the portfolio are provided in the Investment Manager's report on page 9, along with their investment outlook.

Dividends paid to investors during the year totalled EUR 37.3 million, or EUR 0.54 per share, a yield of 5.7% on opening NAV. This represents the sixth consecutive year of dividend payments since shareholders voted to approve the repositioning to a direct investment strategy in May 2011. In determining the level of the dividend, the Board gives due consideration to a number of factors including cash flow forecasts provided by the Investment Manager, the Company's liquidity position, the investment level and the need to retain sufficient cash to fund investments thus ensuring that the portfolio remains well diversified by investment year.

Princess received record portfolio distributions of EUR 185.5 million in 2016, representing 28.2% of opening NAV. Notable exits in 2016 include MultiPlan and Strategic Partners, both of which generated a multiple of over 3x cost. Princess also received proceeds from the successful IPO of VAT Group and the recapitalization of Action, Trimco International and Varsity Brands. Significantly, 76.0% of realizations came from the portfolio of direct investments as opposed to the legacy fund investments which have until recently been the main source of cash generation.

During 2016 Princess invested a total of EUR 116.6 million, including EUR 69.6 million in nine new direct equity investments and EUR 30.0 million in twelve new direct private debt investments. The Board approved a further commitment of EUR 40.0 million to Partners Group Direct Equity 2016 (EUR), L.P. Inc. (Partners Group Direct Equity 2016) in November 2016, which was executed in January 2017. Princess also has the option to co-invest alongside the 2016 program and to invest in other direct investments sourced by the Investment Manager. This flexibility supports Princess' ability to maintain a high investment level.

My fellow directors and I thank you for the continued trust you have shown in Princess. It is our belief that the progress made in 2016 will continue through the coming years and that Princess will create further value for shareholders.

Brian Human

Chairman

Guernsey, 15 March 2017

2. Market overview

Macroeconomic activity

Throughout the fourth quarter of 2016, capital markets remained flush with liquidity, and valuations continued to oscillate at lofty levels. Yield-seeking sentiment resumed and countered the surprise US presidential election outcome and the Federal Reserve interest rate increase. At the same time, the global economy continues to expand at a modest, yet resilient, pace.

The US economy is expanding at a relatively solid rate, predominantly as a result of domestic demand dynamics. Real wages are increasing, and gradually recovering housing prices have enhanced personal finances. Corporate earnings have turned positive again, and fiscal spending is contributing to economic expansion. Business investments, however, remain sluggish and may be further delayed by post-election policy uncertainty.

The solid but slow recovery in the Eurozone is supported by European Central Bank stimulus and domestic demand as unemployment rates are slowly edging lower and fiscal spending is supporting growth. Inflation has recently shifted upward but remains low in the overall context, implying a continued low rates environment. In the UK, the immediate economic fallout from the Brexit vote has been limited, somewhat cushioned by the depreciation of the British pound. Longer-term implications remain uncertain (investment, hiring, consumption), but growth should remain positive. Higher inflation and increased deficit spending have lifted rates at the longer end of the curve; but as opposed to the US no significant monetary tightening is anticipated in the medium term.

In Asia-Pacific and the emerging markets, growth momentum has somewhat improved as Russia and Brazil are exiting recession and commodity prices are recovering. China's near-term growth has stabilized but at the cost of rising tensions in its economic strategy with the continued accumulation of debt and downward pressure on the renminbi. In Japan, Abenomics is struggling to spur growth and inflation as demographic and structural challenges persist.

Private equity buyout activity

Aggregate global private equity buyout activity for 2016 fell by 24.8% to USD 319 billion, while the number of deals remained stable at nearly 4'000, according to Preqin. Large-cap investments (transactions above USD 1 billion) accounted for 62% of aggregate deal value, compared to 72% in 2015. In terms of geographical breakdown, North America continued to claim the lion's share of private equity buyout activity, accounting for almost 60% of global total deal value, while other regions saw their share decrease.

On a year-on-year basis, buyout deal value in North America decreased by 25.5% to USD 190 billion, representing 59.4% of the global total. The largest transaction in the region and globally was the USD 15 billion merger of ADT Security Services with Protection 1.

At USD 88 billion, buyout activity in Europe registered a slight decrease of 2.2%. Nonetheless, the region came in second in terms of number of deals after North America. The largest deal announced in the region (second-largest globally) was the USD 8.6 billion buyout of Supercell by a consortium of investors including AVIC Capital, CITIC Capital and Tencent. The seller was Softbank Capital.

The Asia-Pacific region saw the sharpest decrease in buyout activity, recording USD 24 billion worth of deals - a 46.7% decline compared to the previous year. None of the ten largest private equity buyouts announced in 2016 were from this region.

Private equity exit activity

Global private equity exit activity for 2016 recorded a year-on-year decrease of 23.4% to USD 330 billion across 1'682 transactions, marking 2016 as the second consecutive year of decline in exit activity, according to Preqin. The most prevalent exit strategy was trade sales, which accounted for 54.9% of the total number of exits and 62.4% of total deal value. The largest exit globally in 2016 was the USD 7.5 billion sale of MultiPlan by Partners Group to Hellman & Friedman. Partners Group continues to hold a minority stake in the company on behalf of its clients.

In North America, deal value fell by 14.3% to USD 188 billion across 798 transactions. The largest exit in the region was the above-mentioned sale of MultiPlan, followed by the trade sale of Hilton Worldwide by Blackstone Group to HNA Group in a transaction valued at USD 6.5 billion.

In Europe, deal value fell by 25.4% to USD 113 billion across 670 transactions. The largest exit in the region was CVC Capital Partners' EUR 5.8 billion sale of Quirónsalud to Fresenius Medical Care.

The Asia region experienced the largest percentage decline in terms of exit activity, with deal value declining by more than half to USD 22 billion across 141 transactions. None of the ten largest private equity exits took place in this region.

IPO activity

Against a backdrop of political and economic uncertainty, global IPO activity in 2016 was lackluster, with proceeds declining by 33% to USD 132.5 billion across 1'055 IPOs, according to Ernst & Young. In line with the global slowdown in overall IPO activity, private equity and venture capital-backed listings accounted for only 13% of global volume and 25% of global proceeds, compared to 18% and 25%, respectively, in the previous year.

The US lost global market share for the third consecutive year, accounting for only 13% and 18% of aggregate number of deals and capital raised, respectively. A total of USD 21.3 billion was raised from 112 IPOs, representing a 37% year-on-year decline in capital raised. This marked 2016 as the slowest year for IPO activity in the US by both number of deals and proceeds since the global financial crisis in 2009. For the first year since 2010, none of the global top ten deals of the year were from the US. The two largest US IPOs in 2016 were foreign issuers, namely, China's ZTO Express, which raised USD 1.4 billion, and Japan's LINE Corp, which raised USD 1.3 billion.

While the EMEIA region (Europe, Middle East, India and Africa) saw increased IPO activity over the last quarter of 2016 - a near doubling of capital raised quarter-on-quarter - overall activity for 2016 was subdued on a year-on-year basis. For the full year, USD 37.7 billion was raised from 285 IPOs, a decrease of 44% by proceeds compared to 2015. Nonetheless, the region ranked second globally in terms of IPO activity, with the USD 5.2 billion listing of Innogy SE on the Deutsche Boerse being the largest IPO in the region.

Asia-Pacific was the epicenter of global IPO activity in 2016, dominating both in terms of deal volume and proceeds raised. Led by China, the region recorded its third consecutive year of global market share gains by deal volume and second consecutive year by proceeds raised. A total of USD 71.5 billion was raised from 638 IPOs, representing 60% and 54% of the global total, respectively. While proceeds and the number of listings decreased by 21.3% and 6.3% year on year, respectively, the region was less affected by geopolitical uncertainties that touched the US and EMEIA. Six of the world's ten largest IPOs in 2016 were on Asia-Pacific stock exchanges, including the largest global listing Postal Savings Bank of China which raised USD 7.6 billion on the Hong Kong Stock Exchange in September.

Secondary market activity

The private equity secondary market witnessed a slowdown in deal flow and transaction volume in 2016. Partners Group estimates that private equity secondary deal volume fell from USD 35 billion to USD 30 billion, driven by various factors. For instance, there were fewer transactions greater than USD 500 million as well as a slowdown in the number of GP-led restructurings brought to market during the year. Further, the strong exit environment in 2016 supported portfolio realizations and strong distributions to investors, which resulted in net cash inflows to many private equity portfolios. Finally, several US financial institutions decided to hold onto their private equity fund stakes as there was relief from regulatory pressures. These factors combined resulted in a lower supply of secondary deals while investors kept their powder dry. In line with supply and demand economics, the market witnessed an increase in deal prices even though deal quality was lower in general.

Fundraising activity

Private equity fundraising activity increased in 2016 after a slowdown in 2015. Despite a 14.5% decrease in the number of funds that held their final closing, capital raised increased by 5.2% to USD 345 billion, according to Preqin, which expects this to exceed the post-crisis record of USD 348 billion observed in 2014 as more information becomes available. The largest funds to close globally were Advent Global Private Equity VIII and TPG Partners VII, with fund sizes of USD 13 billion and USD 10.5 billion, respectively.

North America-focused funds continued to be at the forefront of global fundraising efforts. In 2016, USD 188 billion was raised across 448 funds, representing a year-on-year increase of 11.9% and 29.1%, respectively. Of the ten largest private equity funds that held their final closing in 2016, four were North America-focused funds. The largest such fund to close was Green Equity Investors VII (Leonard Green & Partners), with a fund size of USD 9.6 billion.

In line with the increase in global fundraising activity in 2016, 166 Europe-focused funds raised USD 110 billion, marking a year-on-year increase of 57.1%. The largest Europe-focused fund to hold a final closing in 2016 was Cinven VI with a fund size of USD 7 billion.

Asia-focused funds saw a modest improvement in fundraising in 2016, with USD 39 billion raised across 139 funds, compared to the USD 37 billion raised across 120 funds in the prior year. While none of the top ten largest funds raised in 2016 were focused on this region, the largest Asia-focused fund to close in 2016 was MBK Partners IV, which raised USD 4.1 billion, making it the single largest fund in Asia.

Outlook

The outlook for the US economy is modestly encouraging, with the prospect of potentially higher infrastructure spending, corporate and personal income tax cuts and deregulation of select industries. Nonetheless, potential trade barriers present material downside risks to the economy. With rising inflation and a vibrant labor market, US interest rates are likely to rise. The higher expected fiscal deficit spending may put further upward pressure on longer-dated government bond yields, and there is a risk that a strong US dollar and higher financing costs will weigh on margins and purchasing power.

In Europe, the outlook remains modestly constructive. Risks remain, however, raising clouds over the medium-term outlook, including Brexit negotiations; rising populism and anti-EU sentiment; elections in France and Germany; a weak banking sector; continued high fiscal debt levels; lack of structural reform; and a potential spillover risk from higher US interest rates.

Emerging markets growth should remain below pre-crisis levels as structural tailwinds, such as inclusion into the global economy, workforce growth, credit growth and China's strong economic growth, are wearing off. More positively, in economic terms, Japan should be shielded from international events, and growth should be relatively unaffected.

From an investment perspective, potentially rising US interest rates and US protectionism should put emerging markets under increased scrutiny. USD-denominated debt has accumulated in the emerging markets, and margins are likely to suffer as a result. Also, capital is likely to leave the region as US Treasuries are gaining relative attractiveness. A stronger US dollar is putting pressure on the Chinese renminbi. Consequently, emerging market currencies are likely to remain volatile.

On the capital markets side, there may be more significant periods of volatility with inflation and wage pressure picking up in the US, monetary policy running out of steam in the Eurozone and Japan, and persistent tail risks (e.g., uncertainty around the new US administration's political agenda, Brexit negotiations, German/French elections and Chinese debt). The prospect of rising rates in the US, continued muted earnings growth, growing corporate leverage in parts of the world and stretched asset prices may indicate that valuations are approaching peak levels for the current cycle.

In the current environment of low economic growth and increasing capital market volatility, Partners Group continues to target stable assets that are less sensitive to valuation swings, while at the same time being attentive to compelling investment opportunities that may arise from such volatility. Across the board, Partners Group focuses on value-add opportunities to enhance returns and protect against multiple contraction.

Sources: Ernst & Young "EY Global IPO Trends - 2016 4Q" (January 2017); Preqin "Q4 2016 Private Equity-Backed Buyout Deals and Exits" (January 2017); Preqin "Q4 2016 Private Capital Fundraising Update" (January 2017); Preqin "Private Capital in 2016: Continuing 2015's Momentum" (January 2017); Preqin "Fundraising League Table" using Preqin (January 2017); Forbes "China's Postal Savings Bank Just Had The Largest IPO Ever: What You Need To Know" (September 2016); Partners Group Research.

3. Investment Manager's report

Positive development in 2016

After having gained 10.8% in 2015, Princess' audited net asset value again increased by 6.8% to EUR 10.16 per share. This corresponds to a total return of 12.9% (2015: 17.5%), adjusted for the total dividend of EUR 0.54 (2015: EUR 0.54) per share distributed in 2016.

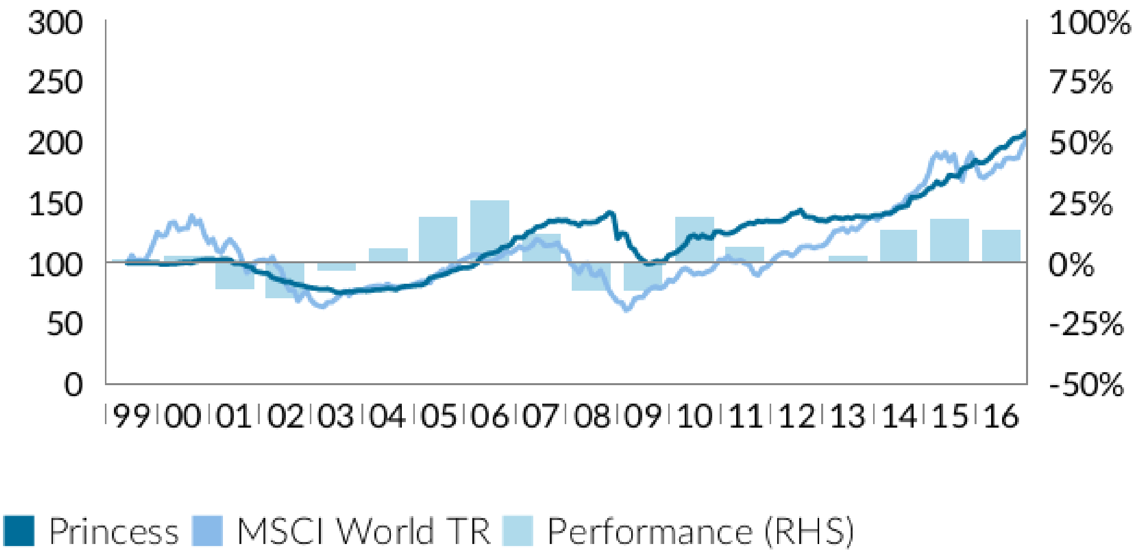
This appreciation reflects the strong operational performance of the majority of the portfolio. Over the preceding twelve months the top 50 companies that represent 68.6% of the portfolio by value recorded a weighted average revenue and earnings (EBITDA) growth of 9.9% and 11.2%, respectively.

Aggregate revaluations at portfolio level during the year amounted to +16.6% of NAV while currency movements were negative (-0.1% of NAV). The largest contributors to Princess' NAV growth were VAT Group, Action, KinderCare Education, MultiPlan (2014) and Hofmann Menue Manufaktur:

● VAT GROUP AG

VAT, the global market leader in the production of high-end vacuum valves has displayed consistently strong performance since its IPO in April 2016, resulting in an 88.6% increase in share price as of 31 December 2016. For the quarter ended 30 September 2016, net sales were reported at CHF 129.7 million, representing an increase of 17% compared to the same period last year with EBITDA for the first half of the year (only disclosed semi-annually) growing by 16.9% to CHF 73.9 million. The total order intake for the same period increased by 40% to CHF 137 million compared to the previous year. This growth was largely driven by favorable market demand from technology advances in the display and semiconductor segments. This generated higher equipment purchases due to the need for complex production processes. In addition, the increasing switch from LCD to OLED (Organic light-emitting diode) displays has also provided considerable stimulus for further growth.

NAV development*



* As per reporting date. The Princess performance is calculated on a total return basis.

ACTION

Non-food discount retailer Action (further mentioned under Distributions) continued its international expansion activity, particularly in Germany and France. The company has over 850 stores in six countries, with almost 200 new stores opened during 2016. This strong international growth, driven by new store openings, continues the organization's evolution from a predominantly domestic-focused Dutch business into a pan-European discount retailer.

KINDERCARE EDUCATION

KinderCare Education, a leading US provider of early childhood education and care services for children aged six weeks to twelve years, showed continued strength in operational performance. The company reported higher than forecasted center occupancy rates and an EBITDA increase of 9% over the last quarter. Furthermore the cash flow generation was also strong in 2016, pacing ahead of budget.

MULTIPLAN (2014)

Founded in 1970, MultiPlan is the largest provider of transaction-based solutions that reduce medical costs. The company uses technology, analytics and data to generate over USD 13 billion in savings annually for commercial, property and casualty insurers, and government payers of medical claims. In June, Princess received gross proceeds of EUR 57.8 million following the realization of MultiPlan, which was acquired by Hellman & Friedman. Princess retained a minority investment in the company, reinvesting a portion of its proceeds alongside Hellman & Friedman to participate in further value creation activities.

HOFMANN MENUE MANUFAKTUR

Hofmann Menue Manufaktur is a leading German producer and supplier of customized frozen food products to small business canteens and social organizations such as retirement homes, hospitals and schools. The company serves over 10'000 customers and is well-positioned to take advantage of certain secular trends such as an aging population and the trend towards outsourced catering. Since investment in 2014, Partners Group has supported the company's expansion to the adjacent markets of Switzerland and Austria and introduced new product lines.

Active year for investments - twenty one new direct investments closed

In 2016, Princess invested EUR 116.6 million, including EUR 69.6 million in nine new direct private equity and EUR 30.0 million in twelve new direct private debt investments bringing the allocation to direct investments to 76% of NAV compared to 68% at the end of 2015.

In the fourth quarter of 2016, Princess completed one new direct private equity investment in Systems Maintenance Services (SMS). Princess also invested in the debt of Logoplaste, Springer Science + Business Media, Global vet business (name withheld due to commercial restrictions), SAI Global and Acrisure.

Investments executed in 2016

Investment	Month	Strategy	Amount (EUR million)
Guardian Early Learning Group	March	Equity	7.7
KinderCare Education (Follow-on)	March	Equity	1.4
Permotio International Learning (Follow-on)	April	Equity	8.9
Hortifruti	April	Equity	1.3
ADT Corporation	May	Equity	4.4
Au Housing Finance	June	Equity	0.5
MultiPlan 2016	June	Equity	9.9
PCI Pharma Services	July	Equity	11.3
Polyconcept	August	Equity	3.5
Foncia	September	Equity	19.2
Systems Maintenance Services	October	Equity	11.8
Seabras-1 (Follow-on)	September	Infrastructure	1.3
Coopération Pharmaceutique Francaise	February	Debt	3.6
ADB Safegate	February	Debt	1.0
eResearch Technology	May	Debt	2.2
The Sunspire Health Companies	May	Debt	1.2
Infinite RF Holdings	June	Debt	2.5
NetSmart Technologies	June	Debt	1.1
Cegid Group	September	Debt	2.9
ATX Networks Corp. (Follow-on)	September	Debt	0.2
Logoplaste	November	Debt	5.1
Acrisure	November	Debt	1.3
Global vet business	December	Debt	3.4
SAI Global	December	Debt	1.4
Springer Science+Business Media	December	Debt	4.4
Legacy fund portfolio and others			5.2
Total investments for 2016			**116.6**

All figures presented in table above are calculated looking through the Group's investments in other Partners Group programs.

SYSTEMS MAINTENANCE SERVICES

In October, Princess invested a total of EUR 11.8 million into SMS, a global IT support provider. Founded in 1981, the US-based company provides IT infrastructure services to over 3'000 businesses, through more than 100 service centers globally. SMS is a market leader and stands out among its main competitors in four key areas: OEM (Original Equipment Manufacturer) capabilities to handle complexity; quality operational infrastructure and high level of service provided; OEM cost savings programs; and multi-service offerings. Going forward Partners Group will work closely with the management team to optimize SMS' sales expansion efforts through streamlining and standardization of the recruitment processes. Partners Group will also support SMS in implementing best practices across the entire company, and in the enlistment of more structured sales coaching, which is necessary for selling to larger customer accounts. In addition, SMS will be able to leverage Partners Group's extensive network of portfolio companies and investment partner relationships to attract new potential enterprise customers.

LOGOPLASTE

In November, Princess invested EUR 5.1 million in the first lien debt of Logoplaste, in support of the partial acquisition of the company by private equity sponsor Carlyle Group. Founded in 1976 in Portugal, Logoplaste is a designer and manufacturer of rigid plastic packaging solutions to a wide range of blue-chip customers. The company reported revenues of EUR 468 million in 2015 and currently employs 2'000 staff in 16 countries across four continents.

SPRINGER SCIENCE + BUSINESS MEDIA

In December, Princess invested EUR 4.4 million into the senior debt of Springer Science+Business Media (Springer), a Germany-based publishing group that specializes in the publication of scientific, technological and medical content. Springer's product range comprises books, journals, newsletters, databases, online services, conferences and seminars. It has operations in 20 European countries, as well as in the United States and Asia. The debt was acquired in the secondary market for liquidity management purposes, reducing Princess' net liquidity position and providing a superior return to the low rates available on bank deposits.

GLOBAL VET BUSINESS

In December, Princess provided EUR 3.4 million of senior debt financing to Global vet business in support of the company's expansion. Headquartered in France, Global vet business is an animal healthcare company with a presence in 42 countries and more than 3'500 employees.

SAI GLOBAL

In December, Princess invested EUR 1.4 million in the junior debt financing to SAI Global, a global provider of risk management products and services to help organizations manage risk and uncertainty. The company's services and products include: training, certification and auditing on local and international standards (e.g. ISO 9001); providing specialist information on standards and technical information; and supplying software and services for the managing and monitoring of risk and compliance. In Australia, SAI Global is also the largest provider of property information and settlement services to the legal and financial sectors. The company employs more than 2'000 people across 29 countries and 51 locations in Europe, North America and Asia.

ACRISURE

In November, Princess invested EUR 1.3 million in the second lien debt of Acrisure to support the management buyout of the company from Genstar Capital. The transaction includes a significant investment from private equity firm ABRY Partners. Founded in 2005, US-based Acrisure is a regional insurance brokerage organization that provides insurance and risk management solutions. The company operates across 26 states in the US and employs nearly 40'000 staff.

Record level of distributions

In 2016, Princess received distribution proceeds of EUR 185.5 million compared to EUR 130.7 million in 2015. 76% of the distributions came from the direct portfolio with the balance from the legacy fund portfolio.

Of particular note were proceeds of EUR 57.8 million following the realization of MultiPlan, which was acquired by Hellman & Friedman (Princess reinvested EUR 9.9m in the new transaction). Princess also received proceeds of EUR 27.9 million from the sale of shares in the IPO of VAT Group AG.

The main contributors to distributions over the fourth quarter of 2016 were Action, CPA Global, Varsity Brands, while Princess' mature legacy fund portfolio generated realizations of EUR 8.6 million.

Distributions executed in 2016

Investment	Exit (full or partial)	Month	Strategy	Amount (EUR million)
Food company 1	Partial	January	Equity	0.9
Action	Partial	March	Equity	12.3
AWAS Aviation Holding	Partial	April	Equity	1.5
VAT Group AG	Partial	May	Equity	27.9
Education Publisher 2	Partial	May	Equity	1.2
MultiPlan 2014	Full	June	Equity	57.8
Strategic Partners	Full	June	Equity	4.4
Freescale Semiconductor	Full	July	Equity	1.5
Trimco International	Partial	September	Equity	3.8
Varsity Brands	Partial	November	Equity	2.4
MultiPlan 2016	Partial	December	Equity	1.2
Direct marketing and sales company	Full	December	Equity	1.5
Plantasjen ASA	Full	May	Debt	7.1
Essmann	Full	August	Debt	5.3
Project Heron	Partial	September	Debt	0.8
CPA Global	Full	October	Debt	4.5
Legacy fund portfolio and others				51.4
Total distributions for 2016				**185.5**

All figures presented in table above are calculated looking through the Group's investments in other Partners Group programs.

ACTION

In December, Princess received a dividend of EUR 6.2 million from Action, a European non-food retailer. This marked the fourth dividend paid by Action since the initial investment in November 2011. The recent dividend was financed by a EUR 1.7 billion all-senior debt refinancing and supported by Action's robust earnings growth and deleveraging. For the twelve months ended 31 October 2016, Action's revenue increased 33.8% year on year to EUR 2.5 billion, while EBITDA grew 37.6% to EUR 279.3 million. The retailer's net debt leverage ratio decreased from 4.2x EBITDA in February 2016, after the third dividend payout, to 3.2x prior to the latest payout. Post transaction, the leverage ratio increased to 4.2x.

CPA GLOBAL

In October, Princess received EUR 4.2 million from its senior debt investment in CPA Global, a provider of intellectual property (IP) and legal support services. The realization was triggered by a refinancing of the company's capital structure. Founded in 1969, the company offers corporate solutions, IP management software and services related to patents, trademarks and general legal support. Partners Group invested in the senior debt of CPA Global in 2012, in support of the acquisition of the company by equity sponsor Cinven. During Partners Group's investment period, the company grew its footprint across Europe, North America and Asia Pacific by successfully acquiring and integrating several complementary businesses.

VARSITY BRANDS

During November Princess received a dividend of EUR 2.4 million from Varsity Brands, a US-based manufacturer of sports products. The dividend was funded from balance sheet cash and proceeds from the issuance of two add-on term loans, following the company's successful deleveraging. Varsity Brands has achieved considerable earnings growth since Partners Group's investment in December 2014. EBITDA increased from USD 192.6 million at entry to USD 226.9 million for the twelve months ended 30 September 2016. The company's financial results were supported by organic growth and the recent acquisitions of Lids Team Sports, an athletic apparel and equipment provider, in January 2016; AllGoods, a provider of customized apparel, in December 2015; and The JAM Brands, a cheerleading products provider, in November 2015.

Share price development

Over the reporting period Princess' share price increased to EUR 8.63 per share, which when adjusted for dividend, represents a total return of 17.2% for the year 2016.

Total dividend of EUR 0.54 per share paid to investors

Princess paid investors a total dividend of EUR 0.54 per share via two interim dividends, representing 5.7% of opening NAV for the year. Dividends will continue to be paid semi-annually in June and December each year.

Price-to-NAV discount

The discount to NAV for Princess narrowed over the course of 2016 to -15.1% as of 31 December 2016, compared with -17.2% at the end of 2015.

Unfunded commitments decrease further

As of 31 December 2016, Princess' total unfunded commitments amounted to EUR 103.3 million of which EUR 44.6 million related to Partners Group direct programs.

In the fourth quarter, the Board approved a second EUR 40 million commitment to Partners Group Direct Equity 2016 program, following an initial commitment of EUR 40 million made in December 2015. The additional commitment supports an increase in the Company's investment level and improves the efficiency of the balance sheet, while retaining sufficient liquidity to continue to pay semi-annual dividends and to participate in further direct investment opportunities.

Unfunded commitments to Princess' legacy fund portfolio amounted to EUR 45.6 million, of which EUR 29.9 million related to pre-2007 vintage funds, the majority of which have already completed their investment periods and are therefore unlikely to call further capital. In line with the policy of focusing on direct transactions no new commitments to third party funds will be made.

PORTFOLIO ALLOCATION

Direct investments increase by 8%

The allocation to direct investments increased to 76% as of the end of 2016, compared to 68% as of the end of the previous year. The allocation to primary fund investments decreased to 22% as of year-end 2016 (2015: 30%) while the portfolio's allocation to secondary investments remained at 2%.

Increase in small- and mid-cap exposure

The allocation to small- and mid-cap investments rose by 7% in 2016 to 59% of the portfolio (2015: 52%). The allocation to the large- and mega -cap buyout segment decreased by 8% to 10% as of year-end 2016 (2015: 18%). Venture capital decreased by 1% to 5% (2015: 6%) while growth increased to 6% (2015: 3%). The allocation of the portfolio to mezzanine debt decreased to 4% (2015: 7%). The allocation of the portfolio to special situations, which includes first and second lien debt and infrastructure investments, increased by 2% to 16%.

Geographical allocation

The geographical exposure of the Princess portfolio by value at the end of 2016 was split between North America (34% against 38% in 2015), Europe (51% against 46% in 2015) and Asia & Rest of World (15% against 16% in 2015).

Diversified portfolio by industry sectors

The portfolio is broadly diversified across a range of industries. The highest allocations are consumer discretionary (29%), industrials (18%), healthcare (13%), financial (11%) and information technology (8%) sectors, which together represented 79% of the portfolio as of the end of 2016.

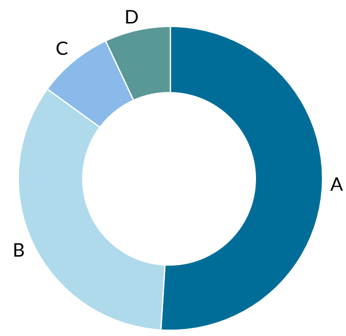
Outlook

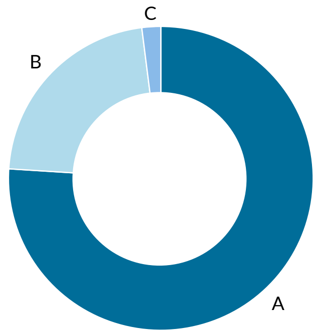
The global economy continues to expand at a modest, yet resilient pace. However, in recent months, a number of unexpected geopolitical events have increased uncertainty as well as volatility in capital markets. In this environment, we continue to center our investment strategy around predictability and stability on the one hand, and transformative trends on the other. We focus on value creation strategies as the principal means of generating sustainable returns and look for assets characterized by valuation resilience.

We continue to see notable differences in the pace of growth of different sub-sectors. While healthcare, education, consumer and business and financial services are the headline sectors that we are most focused on globally; our investment appetite is centred on specific sub-sectors or market niches where growth is transformative and outpaces the mean. For example, within healthcare, the transformative mega-trends we focus most attention on are cost rationalization, the rise of consumerism in healthcare and the move towards cloud-based platforms. Certain other growth trends, such as digitalization or outsourcing, are often sector-agnostic, providing a potential spur even to companies not remotely related to technology or business services. Exploitation of such trends can be a value creation lever for private equity investors. We focus our deal-sourcing within these sub-sectors on trend-based pockets of growth and seek out companies with two additional key characteristics: stable valuations and opportunities for value creation.

The Investment Manager continues to work actively with portfolio companies to support value creation. Where the opportunity arises, we will also selectively seek to exit or re-capitalize portfolio companies where we feel this is in the interests of investors.

4. Portfolio composition



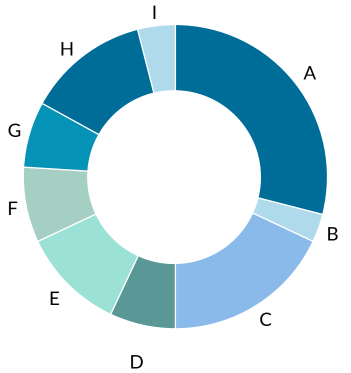


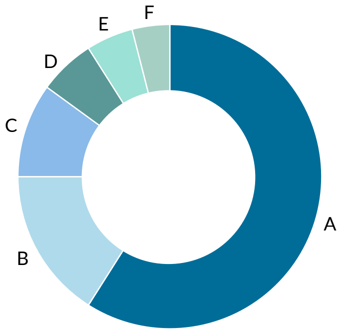
Investments by regional focus

A	Europe	51%	**C**	Rest of World	8%
B	North America	34%	**D**	Asia-Pacific	7%

Investments by transaction type

A	Direct	76%	**C**	Secondary	2%
B	Primary	22%			



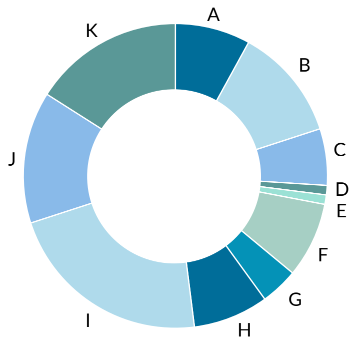


Portfolio assets by industry sector

A	Consumer discr.	29%	**F**	IT	8%
B	Telecom	3%	**G**	Consumer staples	7%
C	Industrial	18%	**H**	Healthcare	13%
D	Materials	7%	**I**	Energy	4%
E	Financial	11%			

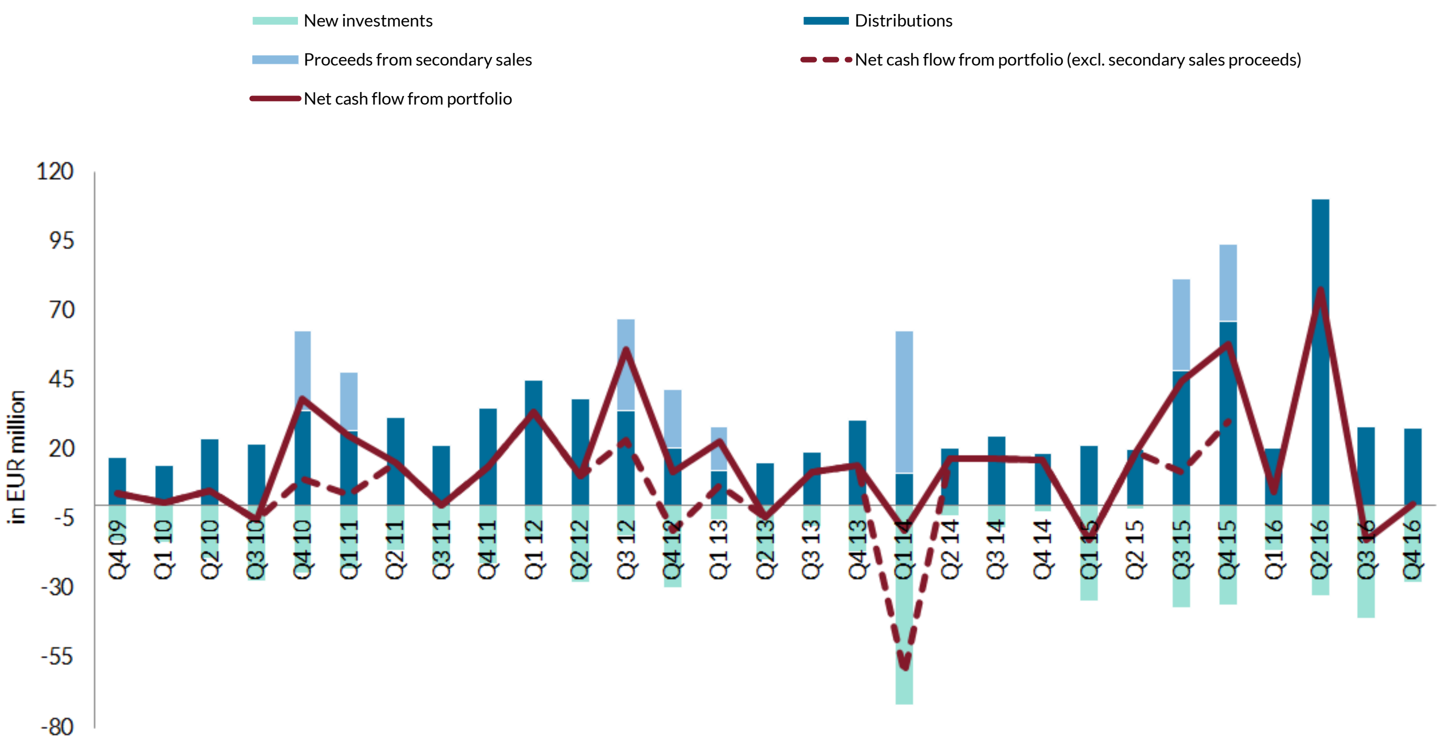
Investments by financing category

A	Small/Mid-cap	59%	**D**	Growth	6%
B	Special situations	16%	**E**	Venture capital	5%
C	Large/mega-large-cap	10%	**F**	Mezzanine	4%



Investments by investment year

A	Pre 2007	8%	**G**	2012	4%
B	2007	12%	**H**	2013	8%
C	2008	6%	**I**	2014	22%
D	2009	1%	**J**	2015	14%
E	2010	1%	**K**	2016	16%
F	2011	8%			



NAV development

	Top 10	Top 20	Top 50
EV/EBITDA	12.0x	11.8x	11.2x
Net debt/EBITDA	3.6x	4.0x	4.1x
Leverage	30.8%	34.4%	38.1%
Average EV	EUR 1.9bn	EUR 2.1bn	EUR 2.0bn
% of NAV	38.8%	52.4%	68.6%

Valuation metrics of the top 50 direct investments

Asset allocation as per the reporting date; the portfolio composition may change over time.

The above allocations are provided for additional investor information only and do not necessarily constitute nor are necessarily managed as separate reportable segments by the Investment Manager, the Investment Advisor and Company.

"Investments" refers to the value of investments (beginning of chapter).

*As per the reporting date and based on available information. Valuation and performance metrics are weighted averages based on the value of the portfolio companies in the latest valuation report; the largest portfolio companies on a look through basis exclude fully realized investments and distressed debt investments; Debt /EBITDA ratio based on net debt.

5. Portfolio overview

Fifty largest direct investments (in EUR)

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception: Residual cost	Since inception: Net asset value	% of NAV
VAT Group AG	Industrials	WEU	Small/Mid-cap	2014	0	62'645'230	8.9%
Action	Consumer discretionary	WEU	Small/Mid-cap	2011	0	35'064'442	5.0%
Permotio International Learning S.à r.l.	Consumer discretionary	WEU	Growth	2013	27'952'665	29'500'004	4.2%
KinderCare Education	Consumer discretionary	NAM	Small/Mid-cap	2015	18'680'747	28'124'476	4.0%
Dynacast	Materials	NAM	Small/Mid-cap	2015	22'421'923	25'756'975	3.7%
Hofmann Menue Manufaktur	Consumer staples	WEU	Small/Mid-cap	2014	14'835'678	25'614'389	3.6%
Fermaca	Energy	ROW	Special situations	2014	13'834'002	20'616'960	2.9%
Foncia	Financials	WEU	Small/Mid-cap	2016	19'240'727	19'240'727	2.7%
Fermo (Trimco International)	Industrials	APC	Small/Mid-cap	2012	n.a.	14'212'441	2.0%
Systems Maintenance Services, Inc.	Information technology	NAM	Small/Mid-cap	2016	12'276'170	12'276'170	1.7%
PCI Pharma Services	Healthcare	NAM	Small/Mid-cap	2016	11'873'345	11'873'018	1.7%
MultiPlan 2016	Healthcare	NAM	Large/mega-large-cap	2016	9'438'336	11'838'505	1.7%
Kerneos	Materials	WEU	Small/Mid-cap	2014	5'443'563	10'995'750	1.6%
Pharmaceutical developer	Healthcare	WEU	Small/Mid-cap	2013	11'226'691	10'255'128	1.5%
Global Blue	Financials	WEU	Small/Mid-cap	2012	2'526'388	10'229'580	1.5%
Guardian Early Learning Group	Consumer discretionary	APC	Small/Mid-cap	2016	7'856'208	8'809'842	1.3%
Vermaat	Consumer discretionary	WEU	Small/Mid-cap	2015	7'922'416	8'715'429	1.2%
Caffe Nero	Consumer staples	WEU	Mezzanine	2013	6'073'001	n.a.	n.a.
Lancelot	Financials	NAM	Large/mega-large-cap	2013	3'004'906	7'563'187	1.1%
AWAS Aviation Holding	Financials	WEU	Large/mega-large-cap	2006	2'601'599	6'886'560	1.0%

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception Residual cost	Since inception Net asset value	% of NAV
Pacific Bells	Consumer staples	NAM	Small/Mid-cap	2015	4'337'308	6'702'659	1.0%
Voyage Care	Healthcare	WEU	Small/Mid-cap	2014	6'463'674	6'463'674	0.9%
Food company 1	Industrials	NAM	Large/mega-large-cap	2007	2'165'016	6'148'973	0.9%
CSS Corp Technologies (Mauritius) Limited	Telecommunication services	APC	Small/Mid-cap	2013	n.a.	n.a.	n.a.
ADT Corporation	Information technology	NAM	Large/mega-large-cap	2016	4'630'004	5'714'520	0.8%
Education publisher 2	Consumer discretionary	NAM	Large/mega-large-cap	2013	0	5'640'639	0.8%
Project Sun	Industrials	WEU	Small/Mid-cap	2011	3'624'969	5'243'042	0.7%
Logoplaste	Materials	WEU	Special situations	2016	5'063'504	n.a.	n.a.
Universal Hospital Services, Inc.	Healthcare	NAM	Small/Mid-cap	2007	4'122'957	4'622'760	0.7%
Varsity Brands	Consumer discretionary	NAM	Small/Mid-cap	2014	2'523'972	4'586'914	0.7%
Seabras-1	Telecommunication services	NAM	Special situations	2015	4'498'019	4'491'706	0.6%
TOUS	Consumer discretionary	WEU	Small/Mid-cap	2016	3'993'415	4'481'474	0.6%
Springer Science+Business Media	Consumer discretionary	WEU	Special situations	2010	4'374'154	n.a.	n.a.
BarBri	Consumer discretionary	NAM	Small/Mid-cap	2011	3'601'401	4'076'305	0.6%
Project Icon	Consumer discretionary	WEU	Small/Mid-cap	2011	5'087'738	3'778'993	0.5%
Cooperation Pharmaceutique Francaise SAS	Healthcare	WEU	Special situations	2015	3'457'550	n.a.	n.a.
Polyconcept	Consumer discretionary	NAM	Small/Mid-cap	2016	3'689'066	3'689'066	0.5%
CapitalSpring Finance Company	Financials	NAM	Mezzanine	2013	2'364'799	3'524'770	0.5%
Global vet business	Healthcare	WEU	Special situations	2014	3'373'418	3'427'041	0.5%
South Dakota Systems	Telecommunication services	NAM	Special situations	2014	2'705'279	3'362'641	0.5%
Cegid Group SA	Information technology	WEU	Special situations	2016	2'882'526	n.a.	n.a.
Infinite RF Holdings, Inc	Industrials	NAM	Special situations	2016	2'507'196	2'771'003	0.4%
ATX Networks	Consumer discretionary	NAM	Special situations	2010	2'040'424	2'587'971	0.4%

Investment	Industry sector	Regional focus	Financing category	Investment year	Since inception: Residual cost	Since inception: Net asset value	% of NAV
eResearch Technology, Inc.	Information technology	NAM	Special situations	2016	2'286'449	2'510'402	0.4%
Photonis	Information technology	WEU	Special situations	2011	2'007'239	2'487'658	0.4%
Delsey Group	Consumer discretionary	WEU	Small/Mid-cap	2007	1'660'586	2'201'046	0.3%
Project Firefox	Telecommunication services	NAM	Mezzanine	2013	1'644'612	1'964'235	0.3%
Ascensus	Financials	NAM	Special situations	2015	1'651'173	1'903'174	0.3%
Super A-Mart	Consumer discretionary	APC	Small/Mid-cap	2006	1'604'000	1'677'962	0.2%
Affordable Care, Inc.	Healthcare	NAM	Special situations	2015	1'534'597	1'635'525	0.2%
Total fifty direct investments					265'478'487	482'534'634	68.6%

The portfolio's holdings are ranked by percentage of net asset value. Some names and figures (marked "n.a.") may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. The portfolio overview of Princess has been prepared on a look through basis, although the audited consolidated statement of financial position includes the valuation of certain Partners Group investment vehicles. Residual cost is the initial investment cost after receipt of distributions from such an investment until the end of the reporting period. Negative residual costs (receipt of distributions > initial investment cost) will result in an amount of zero.

Fifty largest fund investments (in EUR)

				Since inception		
Investment	Regional focus	Financing category	Vintage year	Unfunded commitments	Net asset value	% of NAV
Anonymized Emerging Markets Venture Fund 2	ROW	Venture capital	2008	71'080	11'543'177	1.6%
Partners Group Global Real Estate 2008, L.P.	WEU	Special situations	2008	1'759'056	11'308'251	1.6%
Terra Firma Capital Partners III, L.P.	WEU	Large/mega-large-cap	2006	79'547	9'434'386	1.3%
Ares Corporate Opportunities Fund III, L.P.	NAM	Special situations	2008	1'001'712	8'356'336	1.2%
3i Eurofund Vb	WEU	Small/Mid-cap	2006	376'536	7'040'283	1.0%
MatlinPatterson Global Opportunities Partners III	NAM	Special situations	2007	411'973	6'480'821	0.9%
Anonymized European Buyout Fund 7	WEU	Small/Mid-cap	2007	1'026'787	5'215'977	0.7%
August Equity Partners II A, L.P.	WEU	Small/Mid-cap	2007	n.a.	4'866'428	0.7%
Sterling Investment Partners II, L.P.	NAM	Small/Mid-cap	2005	1'169'713	3'902'053	0.6%
Pitango Venture Capital Fund III	ROW	Venture capital	2000	0	3'755'757	0.5%
Patria - Brazilian Private Equity Fund III, L.P	ROW	Small/Mid-cap	2007	n.a.	n.a.	n.a.
Alinda Infrastructure Parallel Fund II, L.P.	NAM	Special situations	2008	309'549	3'001'368	0.4%
Fenway Partners Capital Fund II, L.P.	NAM	Small/Mid-cap	1998	447'725	2'880'017	0.4%
Quadriga Capital Private Equity Fund III, L.P.	WEU	Small/Mid-cap	2006	391'181	2'620'137	0.4%
INVESCO Venture Partnership Fund II-A, L.P.	NAM	Venture capital	2000	1'734'359	2'566'099	0.4%
SV Life Sciences Fund IV, L.P.	NAM	Venture capital	2006	232'380	2'537'393	0.4%
GMT Communications Partners III, L.P.	WEU	Small/Mid-cap	2006	881'005	2'476'066	0.4%
Index Ventures Growth I (Jersey), L.P.	WEU	Growth	2008	0	2'349'020	0.3%
Ares Corporate Opportunities Fund II, L.P.	NAM	Special situations	2006	2'165'347	2'124'391	0.3%
Levine Leichtman Capital Partners II, L.P.	NAM	Mezzanine	1998	0	2'113'640	0.3%
Advent Latin American Private Equity Fund IV, L.P.	ROW	Large/mega-large-cap	2007	0	2'083'487	0.3%
Anonymized European Buyout Fund 3	WEU	Small/Mid-cap	2008	86'510	1'769'030	0.3%

Investment	Regional focus	Financing category	Vintage year	Since inception Unfunded commitments	Net asset value	% of NAV
Summit Partners Europe Private Equity Fund, L.P.	WEU	Growth	2008	0	1'736'568	0.2%
Innisfree PFI Secondary Fund	WEU	Special situations	2007	78'093	1'624'165	0.2%
Aksia Capital III, L.P.	WEU	Small/Mid-cap	2005	0	1'609'814	0.2%
Doughty Hanson & Co. Fund III, L.P.	WEU	Small/Mid-cap	1997	111'027	1'606'421	0.2%
Advent International GPE VI, L.P.	WEU	Small/Mid-cap	2008	42'523	1'605'271	0.2%
Exxel Capital Partners VI, L.P.	ROW	Small/Mid-cap	2000	0	1'502'494	0.2%
Penta CLO 1 S.A.	WEU	Special situations	2007	0	1'500'000	0.2%
OCM Mezzanine Fund II, L.P.	NAM	Mezzanine	2005	1'641'955	1'476'328	0.2%
The Peninsula Fund IV, L.P.	NAM	Mezzanine	2005	463'554	1'448'048	0.2%
Candover 2005 Fund, L.P.	WEU	Large/mega-large-cap	2005	19'791	1'377'509	0.2%
Draper Fisher Jurvetson Fund VII, L.P.	NAM	Venture capital	2000	0	1'296'748	0.2%
European Equity Partners (III), L.P.	WEU	Venture capital	1999	0	1'264'649	0.2%
SV Life Sciences Fund II, L.P.	WEU	Venture capital	1998	0	1'254'250	0.2%
Baring Asia Private Equity Fund IV, L.P.	APC	Small/Mid-cap	2007	265'237	1'253'707	0.2%
Russia Partners III, L.P.	ROW	Small/Mid-cap	2007	64'082	1'172'406	0.2%
Southern Cross Latin America PE Fund III	ROW	Small/Mid-cap	2007	4	1'149'140	0.2%
Clayton, Dubilier & Rice Fund VIII, L.P.	NAM	Large/mega-large-cap	2009	351'933	1'074'725	0.2%
Enterprise Venture Fund I, L.P.	ROW	Growth	2008	148'859	920'346	0.1%
Searchlight Capital PV, L.P.	NAM	Special situations	2010	131'757	900'136	0.1%
Sofinnova Capital VI FCPR	WEU	Venture capital	2008	49'799	892'782	0.1%
Anonymized Asian Buyout Fund 3	APC	Small/Mid-cap	2007	307'065	883'042	0.1%
Advent Latin American Private Equity Fund V, L.P.	ROW	Large/mega-large-cap	2009	111'601	876'051	0.1%
Nmas1 Private Equity Fund II, L.P.	WEU	Small/Mid-cap	2008	38'543	839'478	0.1%

Investment	Regional focus	Financing category	Vintage year	Since inception Unfunded commitments	Since inception Net asset value	% of NAV
Hony Capital Fund 2008, L.P.	APC	Small/Mid-cap	2008	66'776	836'472	0.1%
Indium IV (Mauritius) Holdings Limited	APC	Small/Mid-cap	2009	58'243	825'838	0.1%
Helios Investors II, L.P.	ROW	Small/Mid-cap	2009	0	790'099	0.1%
Menlo Ventures IX, L.P.	NAM	Venture capital	2000	0	739'276	0.1%
Perusa Partners 1, L.P.	WEU	Special situations	2008	94'109	724'836	0.1%
Total fifty partnership investments				17'018'228	134'668'003	19.2%

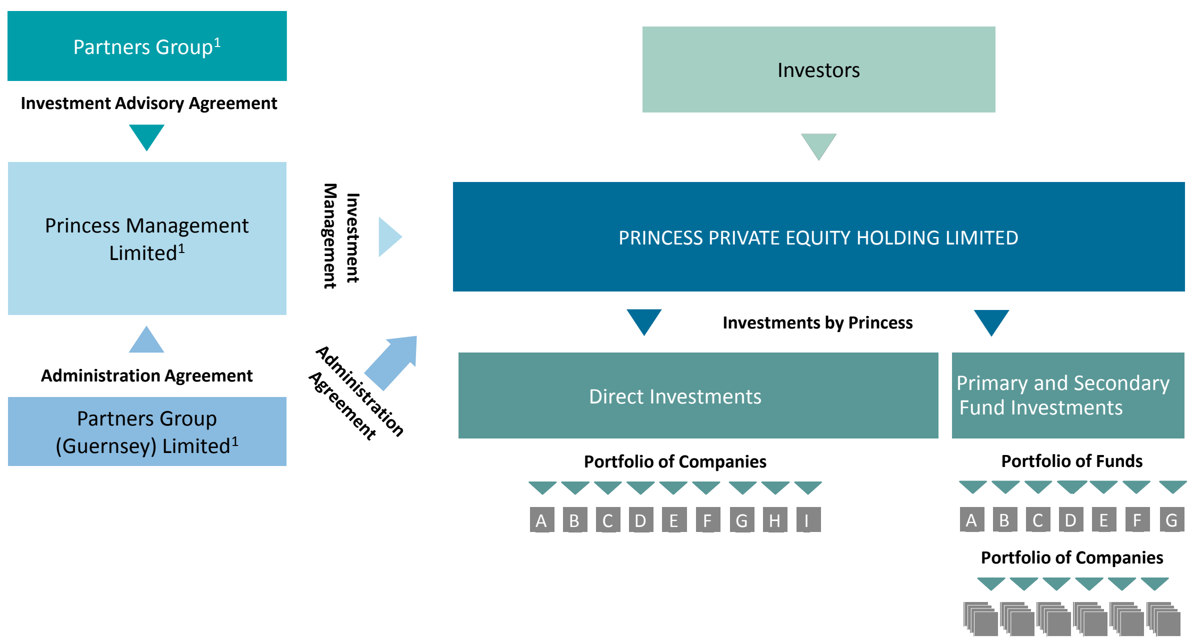
The portfolio's holdings are ranked by percentage of net asset value. Some names and figures (marked "n.a.") may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. The portfolio overview of Princess has been prepared on a look through basis, although the audited consolidated statement of financial position includes the valuation of certain Partners Group investment vehicles.

6. Structural overview

Princess Private Equity Holding Limited is a Guernsey registered private equity holding company founded in May 1999 that invests in private market investments. In 1999 Princess raised USD 700 million through the issue of a convertible bond and invested the capital by way of commitments to private equity partnerships. The convertible bond was converted into shares in December 2006. Concurrently, the investment guidelines were amended and the reporting currency changed from the US dollar to euro. The Princess shares were introduced for trading on the Frankfurt Stock Exchange (trading symbol: PEY1) on 13 December 2006 and on the London Stock Exchange (trading symbol: PEY) on 1 November 2007. Princess consolidated all trading activity to the London Stock Exchange on 6 December 2012 and ceased being listed on the Frankfurt Stock Exchange. On 25 January 2016, in accordance with the requirements of DTR 6.4.2, Princess confirmed that the United Kingdom is its Home Member State.

Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield. The Company's investments are managed on a discretionary basis by Princess Management Limited, a wholly-owned subsidiary of Partners Group Holding AG, registered in Guernsey. The Investment Manager is responsible for, inter alia, selecting, acquiring and disposing of investments and carrying out financing and cash management services.

The Investment Manager is permitted to delegate some or all of its obligations and has entered into an advisory agreement with Partners Group (the "Investment Advisor"), which is a global private markets investment management firm with over EUR 54.2 billion in investment programs under management in private equity, private debt, private real estate and private infrastructure. Through the advisory agreement, Princess benefits from the global presence, the size and experience of the investment team and relationships with many of the world's leading private equity firms.



1) 100% owned by Partners Group Holding

7. Company information

Company	Princess Private Equity Holding Limited
Currency denomination	Euro
Dividends	Princess intends to pay a dividend of 5-8% p.a. on NAV
Incentive fee	No incentive fee on primary investments; 10% incentive fee per secondary investment; 15% incentive fee per direct investment; subject in each case to a 8% p.a. preferred return (with catch-up)
Incorporation	1999
Joint corporate brokers	JPMorgan Cazenove Numis Securities Ltd.
Listing	London Stock Exchange
Management fee	1.5% p.a.
Securities	Fully paid-up ordinary registered shares
Structure	Guernsey Company, Authorized closed-ended fund in Guernsey
Trading information	ISIN: GG00B28C2R28 WKN: A0M5MA Valor: 3493187 Trading symbol: PEY Bloomberg: PEY LN Reuters: PEY.L
Voting rights	Each ordinary registered share represents one voting right

8. Board of Directors

Brian Human

Brian Human (Chairman) (British, born 1948) has been a Director of the Company since November 2003 and an independent Director since December 2007. He gained a Bachelor of Arts (Econ) degree from Rhodes University, South Africa. Brian has been in the finance industry since graduating in 1971. He emigrated to England in 1973, joining first Midland Bank and then Grindlays Bank, which was acquired by the ANZ Bank in 1992 and then by Standard Chartered Bank in 2000. He has worked in Thailand, Hong Kong and Australia as well as England, Jersey and Guernsey. Prior to joining Princess in November 2003 he was head of risk management for Standard Chartered Bank (Jersey) Limited, and his previous posts include managing director of ANZ Grindlays Bank (Jersey) Limited, managing director of ANZ Bank Guernsey Limited, Senior Manager Credit ANZ Bank London, Senior Manager Business Banking ANZ Melbourne and general manager of Thailand-based General Finance and Securities Limited.

Richard Battey

Richard Battey (British, born 1952) is a resident of Guernsey. He is a Non-Executive Director of a number of investment companies and funds including AcenciA Debt Strategies Limited, Better Capital PCC Limited, Juridica Investments Limited, NB Global Floating Rate Income Fund Limited, Pershing Square Holdings, Ltd. and Prospect Japan Fund Limited. He is a Chartered Accountant having qualified with Baker Sutton & Co. in London in 1977. Richard was formerly Chief Financial Officer of CanArgo Energy Corporation. Prior to that role he spent 27 years with the Schroder Group and worked first in London with J. Henry Schroder Wagg & Co. Limited and Schroder Investment Management and then in Guernsey, as a director of Schroders (C.I.) Limited from April 1994 to December 2004, where he served as Finance Director and Chief Operating Officer. He was a director of Schroder Group Guernsey companies covering banking, investment management, trusts, insurance and private equity administration retiring from his last Schroder directorship in December 2008.

Henning von der Forst

Henning von der Forst (German, born 1955) is a member of the Supervisory Board of Lingohr & Partner Asset Management GmbH. He was, until his retirement at the end of 2015 a member of the Executive Board of Directors and Chief Investment Officer of Nuernberger Insurance Group for 24 years and was a member of the Supervisory Board of various Nuernberger Group participations, real estate and investment companies. Furthermore, he was on the Board of Fürst Fugger Privatbank KG, Augsburg from 2005 until 2012. Prior to this, Henning worked as a marketing manager at SBCI Swiss Bank Corporation Investment Banking and as head of treasury and finance at VIAG Aktiengesellschaft (E.on today). He holds a master's degree in business administration from the University of Münster.

Fergus Dunlop

Fergus Dunlop (British, born 1958) is a Non-Executive Director of Schroder Oriental Income Limited. Between 2002 and 2007 Mr Dunlop joint-owned and managed an advisory business in Munich for institutional investors. He is a Fellow of the Institute of Directors and a Chartered Director. From 1997 to 2001 he worked in institutional sales with Mercury Asset Management (later Merrill Lynch, now BlackRock) in Frankfurt. From 1987 to 1997 he was with SGWarburg/Mercury in London, where he managed a joint venture with Munich Re. Fergus holds a master's degree in management from Oxford University.

Urs Wietlisbach

Urs Wietlisbach (Swiss, born 1961) co-founded Partners Group in 1996. He is an executive member of Partners Group Holding AG's board of directors and chairman of the markets committee, based in Zug. He was initially responsible for the firm's partnership investment activities and instrumental in building Partners Group's private equity funds portfolio and a global industry network. Later, he also focused on business development responsibilities, first in Europe, and subsequently in the USA and the Asia-Pacific region. Prior to founding Partners Group, he was an Executive Director at Goldman Sachs & Co. where, after assignments in London and New York, he was appointed head of the firm's institutional clients business in Switzerland. Previously, he was a relationship manager for multinational corporate clients at Credit Suisse in New York and Zurich. He holds a master's degree in business administration from the University of St. Gallen (HSG).

9. Directors' report

Directors
B. Human (Chairman)
R. Battey
F. Dunlop
H. von der Forst
U. Wietlisbach

Secretary
Aztec Financial Services (Guernsey) Limited

Registered Office
Tudor House
St. Peter Port
Guernsey
GY1 1BT

The Directors present their report and audited consolidated financial statements for the period from 1 January to 31 December 2016.

Incorporation
Princess Private Equity Holding Limited (the "Company"), Princess Private Equity Subholding Limited (the "Subholding") and Princess Direct Investments, L.P. Inc. (the "Sub-Subsidiary and together with the Company and Subholding the "Group") are entities incorporated and domiciled in Guernsey, Channel Islands.

Principal Activity
The principal activity of the Group is the holding of investments for the purpose of capital appreciation and income generation. The Investment Manager of the Company is Princess Management Limited (the "Investment Manager" or "Designated Manager") and the Investment Advisor is Partners Group AG (the "Investment Advisor"), a Swiss limited liability company. The majority of the Board is independent of the Investment Manager and the Investment Advisor.

Investment Objectives and Investment Policy
The Company's investment objective is to provide shareholders with long-term capital growth and an attractive dividend yield through investment in a diversified portfolio of private equity and private debt investments which may be classified as private market investments, with a specific focus on direct investments. Under the Company's investment policy, as approved at the Annual General Meeting dated 12 May 2011, investments may include, inter alia:

- Direct investments: interests in (typically unlisted) assets and operating companies (whether held directly or indirectly) and may include equity, debt or other kinds of securities.
- Fund investments: interests in private investment funds acquired from other investors (secondary investments) or through a commitment to a new fund (primary investments). Private investment funds may include vehicles focusing on buyouts, mezzanine funding, venture capital and special situations such as distressed or turnaround situations, private real estate, private infrastructure investments, PIPE (private investments in public equity) transactions and leveraged debt.
- Listed private equity: interests in vehicles listed on public stock exchanges that invest in private investment transactions or funds.

To achieve the investment objective, the Company intends to continue to pursue a relative value investment strategy designed to systematically identify and invest in private equity, private debt and listed private equity that the Investment Manager and the Investment Advisor believe offer superior value at a given point in time.

The Investment Manager has complete discretion as to asset allocation within the private investment market and may at any time determine that up to 100% of the Company's assets may be invested in any particular private market segment.

Review of Performance
An outline of the performance, investment activity and developments in the portfolio can be found in the audited consolidated statement of comprehensive income and statement of financial position.

Monitoring Performance
At each board meeting the Directors consider a number of performance indicators to assess the Company's success in achieving its investment objectives. These include:

- Price and NAV developments
- Net cash flow
- Capital calls and distributions
- IRR reports at the underlying investment level
- Unfunded commitments
- Risk management and adherence to investment guidelines
- Corporate governance

Principal Risks and Uncertainties

The Board is responsible for managing and overseeing risk and reviews and assesses quarterly the risks which it considers apply to the Company. These risks encompass all risks to which the Company may be exposed, including the recent macro environment and uncertainties in respect of the valuation of unquoted investments as well as the cash flow modeling employed by the Company. The Directors have included the Statement of Principal Risks described in the Corporate Governance Report. Notes 4 and 17 of the audited consolidated financial statements provide further comment on certain other risks connected with the investments and financial assets / liabilities held by the Company and how they are managed, together with.

Share Capital

Although the Shareholders granted to the Directors authorization to make market acquisitions of ordinary shares, the Company purchased and redeemed / cancelled no shares (31 December 2015: nil) resulting in the Company's issued and paid up share capital as at 31 December 2016 being 69'151'168 ordinary shares of EUR 0.001 each (31 December 2015: 69'151'168 ordinary shares of EUR 0.001 each).

There are no restrictions regarding the transfer of the Company's securities, no special rights with regard to control attached to the Company's securities; no agreements between holders of the Company's securities regarding their transfer known to the Company; and no agreements to which the Company is party that might be affected by a change of control following a takeover bid.

Shareholder Information

The net asset value and the net asset value per share are calculated (in Euro) every month at the last Business Day of each month by Partners Group (Guernsey) Limited acting as Administrator.

Calculations are made in accordance with International Financial Reporting Standards ("IFRS") which require the Company's direct investments and fund investments to be valued at fair value, are announced by the Company on its website and are submitted to a regulatory information service approved by the UK Listing Authority as soon as practicable after the end of the relevant period.

Dividends

Dividends of EUR 0.27 per share each were paid on 17 June 2016 and 16 December 2016. Previously, dividends of EUR 0.27 each were paid on 19 June 2015 and 18 December 2015.

Results

The results for the period are shown in the audited consolidated statement of comprehensive income.

Directors, Directors' Interests and Directors' Remuneration Report

The Directors of Princess Private Equity Holding Limited are as shown above. The Directors had no beneficial interest in the Share Capital of the Company other than as shown below.

R. Battey: 30'000 shares
F. Dunlop: 8'000 shares
B. Human: 2'000 shares
U. Wietlisbach: 194'000 shares

Messrs. Battey, Wietlisbach and Human were re-elected at the 2016 annual general meeting.

The sole Director of Princess Private Equity Subholding Limited, which held office during the period, was Princess Private Equity Holding Limited.

No contract or arrangement existed in the period in which any of the Directors, other than Mr. Wietlisbach, had a material interest. Mr. Wietlisbach is a Director of and Shareholder in Partners Group Holding AG, the beneficial owner of both the Investment Manager and the Administrator.

No Director had a service contract with the Company other than Mr. Human who had a part time employment contract with the Company which ended in March 2008. Directors' remuneration is presented in the notes to these audited consolidated financial statements and is shown below. Mr. Wietlisbach does not receive a fee for the provision of his services as a director of the Board. Directors' remuneration split as follows in EUR:

(31.12.2016 / 31.12.2015)
R. Battey (52'000 / 52'000)
F. Dunlop (46'000 / 46'000)
B. Human (57'500 / 57'500)
H. von der Forst (46'000 / 46'000)

Length of Service

Each of the Directors was first appointed to the Board on the dates shown below:

R. Battey: 28 May 2009
F. Dunlop: 28 May 2009
B. Human: 19 November 2003
H. von der Forst: 14 November 2012
U. Wietlisbach: 24 June 1999

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and officers' liability in relation to their acts on behalf of the Company. Suitable insurance is in place and due for renewal on 7 December 2017.

Investment Management Arrangements

Princess Management Limited, a wholly owned subsidiary of Partners Group Holding AG, is the Investment Manager to the Company. The Investment Manager is permitted to delegate some or all of its obligations and has entered into an Investment Advisory Agreement (the "Agreement") with Partners Group AG. Mr. Wietlisbach is a founding partner of Partners Group AG and currently serves as a director of that firm. Details of the management fees are shown within the audited consolidated financial statements. The Agreement automatically renews every ten years but contains a three year's notice period. Termination will be without penalty or other additional payments save that the Company will pay management and performance fees due and additional expenses incurred. The Directors (other than Mr. Wietlisbach who is not independent of the Investment Manager) have determined that the continuing appointment of the Investment Manager on the terms of the Investment Management Agreement is in the interests of Shareholders as a whole, given the global reach and expertise of the Investment Manager and Investment Advisor.

Significant Events

At the Annual General Meeting held on 13 May 2016 the audited consolidated financial statements of the Company for the period ended 31 December 2015 together with the report of the Directors and Independent Auditors were received and adopted. Also on that date, the Shareholders approved granting the Directors (a) the ability to allot equity securities for cash or sell treasury shares for cash and (b) the general power to allot equity shares for cash or sell treasury shares for cash. Also at that meeting, the Shareholders authorized the Company to make market acquisitions of ordinary shares up to a maximum number of 14.99% of the ordinary shares in issuance at the date of the meeting, and this authority was still valid as at 31 December 2016.

Substantial Interest

The European Union Transparency Directive came into force on 20 January 2007. The directive requires substantial shareholders to make relevant holding notifications to the Company and the UK Financial Conduct Authority (formerly UK Financial Services Authority). The Company must then disseminate this information to the wider market. Those shareholders who have declared accordingly that they held above 5% of ordinary shares, as at the period end were:

Bayer-Pensionskasse VVaG - 7.56%
Brewin Dolphin Limited - 5.03%
CCLA Investment Management Limited - 5.05%
CVP / CAP Coop - 5.07%
Deutsche Asset Management Investmentgesellschaft - 7.66%
Rathbone Brothers - 5.26%
Société Générale Option Europe - 5.31%
Witan Investment Trust plc - 5.20%

This information has been prepared based on disclosures made by Shareholders to the Company in accordance with stock exchange rules.

Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

So far as the Board of Directors are aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information. The Directors confirm that they have complied with the above requirements in preparing the audited consolidated financial statements. The Directors of the Group and Company have elected to prepare audited consolidated financial statements for Princess Private Equity Holding Limited for the period ended 31 December 2016 as the parent of the Group in accordance with Section 244(5) of The Companies (Guernsey) Law, 2008. They are not required to prepare individual accounts for Princess Private Equity Holding Limited in accordance with Section 243 of The Companies (Guernsey) Law 2008 for the financial period.

To the best of our knowledge and belief:

- The Annual Report includes information detailed in the Chairman's report, the Investment Manager's report, the Directors' report and the notes to the audited consolidated financial statements, which includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces as required by DTR 4.1.8 and DTR 4.1.11; and
- The audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the audited consolidated financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, having taken advice from the Audit, Risk & Management Engagement Committee, consider that the report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

The maintenance and integrity of the Group and Company's website is the responsibility of the Directors. The work carried out by the Independent Auditors does not involve consideration of these matters and accordingly, the Independent Auditors accept no responsibility for any changes that may have occurred to the audited consolidated financial statements after they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Group closely monitors its future anticipated cash flows and based on these forecasts and the sensitivities which have been run on different scenarios the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Corporate Governance

The Company's statement on corporate governance can be found in the Corporate governance statement on pages 30 to 37 of this Annual Report. The Corporate governance statement forms part of the Directors' Report and is incorporated into it by cross-reference.

Company Secretary

The secretary of the Company as at 31 December 2016 was Aztec Financial Services (Guernsey) Limited.

Independent Auditors

At a general meeting held on 13 May 2016, PricewaterhouseCoopers CI LLP were re-appointed Independent Auditors of the Company for the period ended 31 December 2016, and the Directors were authorized to fix their remuneration.

R. Battey
Director

F. Dunlop
Director

15 March 2017

10. Corporate governance statement

Corporate governance report

The Directors have determined to report against the Association of Investment Companies (the "AIC") Code of Corporate Governance for Guernsey companies ("AIC Code"), dated July 2016, and to follow AIC's Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code and AIC Guide are available on the AIC website www.theaic.co.uk. In assessing the Board's corporate governance practice for 2016, the Directors confirm that throughout the period the Company complied with the provisions of the AIC Guide.

The Company has complied with the relevant provisions of the UK Corporate Governance Code (the "UK Code") as issue by the Financial Reporting Council and dated September 2014, except as set out below:

- The role of the Chief Executive
- Executive Directors' remuneration
- The need for an internal audit function and the monitoring and reviewing of the effectiveness of such a function

For the reasons set out in the AIC Guide, and in the preamble to the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an overseas investment company with an appointed Investment Manager. There are no Executives with contractual obligations directly with the Company and thus the Executive Directors' remuneration rules do not apply. The Audit, Risk & Management Engagement Committee and the Board of Directors regularly consider the risk and operational aspects of the Company. The Investment Manager has an appointed Compliance Officer. As there is delegation of operational activity to appointed service providers the Audit, Risk & Management Engagement Committee and the Board have determined there is no requirement for a direct internal audit function, although they do meet with the internal audit function of Partners Group Holding AG.

The Guernsey Financial Services Commission has a standing Code of Corporate Governance for the Finance Sector that was issued in 2011 (the "Guernsey Code"). In the introduction to the Guernsey Code it states that "Companies which report against the UK Corporate Governance Code or the AIC Code are also deemed to comply with the Code". As a company listed on the London Stock Exchange the Company is subject to the Disclosure Rules and Transparency Rules and the UK Code but uses the AIC Code instead as it is a member of AIC and considers this appropriate for a member company. As an AIC member domiciled in Guernsey which reports against the AIC Code, the Company is not required to report separately against the Guernsey Code.

Rules concerning the appointment and replacement of directors are contained in the Company's Articles of Incorporation and are discussed below.

AIFM Directive

In July 2014 the European Alternative Investment Fund Management Directive (AIFMD) came into effect. At present, the Board considers that the Company falls outside the scope of this Directive, in that the number of its shares in issue is static or declining, and accordingly it does not market inside the European Union. The Company will reconsider this in the event that it seeks to raise capital.

The Board

The Board consists of five directors all of whom are non-executive. The independent Chairman of the Board is Mr. Human, who was appointed on 28 May 2009 and is responsible for leading meetings of the Board to ensure that they are efficient and effective. Mr. Human has no other significant business commitments which need to be disclosed and the Board is satisfied that he has sufficient time available to discharge fully his responsibilities as Chairman of the Company. For the purposes of assessing compliance with the AIC Code, the Board considers all of the Directors (other than Mr. Wietlisbach) as independent of the Investment Manager and the Investment Advisor and free from any business or other relationship that could materially interfere with the exercise of their independent judgment.

Mr. Human was appointed Managing Director pursuant to a service contract dated 20 March 2007 until March 2008, during which time he was a part time employee of the Company. Mr. Human was formerly employed on a part time basis by Partners Group Global Opportunities Limited, a company which also retains the services of the Investment Advisor, but this employment ceased in December 2007 and the Board now regards Mr. Human as independent. Further, the Board considers Mr. Human independent at the time of his appointment as Chairman.

Mr. Wietlisbach was not considered as independent during the reporting period as he is a Director of and shareholder in Partners Group Holding AG, the beneficial owner of the Investment Manager and the Administrator.

The Board has a breadth of experience relevant to the Company and a balance of skills, experience and age. The Board recognizes the importance of diversity and notes that it continues to evaluate applicants to fill vacant positions without prejudice. Applicants are assessed on their broad range of skills, expertise and industry knowledge, and business and other experience.

Directors are appointed for a fixed term of no more than three years. The appointment may be renewed for a further period if both the respective Director and the Board believe that a renewal is in the interest of the Company.

The renewal shall always be subject to an assessment of the independence of the Director in question and their continued satisfactory performance. In view of the long-term nature of the Company's investments, the Board believes that a stable board composition is fundamental to run the Company properly. The Board has not stipulated a maximum term of any directorship. Directors retire by rotation, with both Messrs. Human and Wietlisbach being subject to re-election on an annual basis, as the latter has been a member of the Board of Directors since November 2003. Therefore Mr. Wietlisbach together with Mr. Dunlop and Mr. Human will stand for re-election at the 2017 Annual General Meeting. The Board continues to be satisfied with the performance of all the Directors, with Mr. Wietlisbach being able to provide additional insight into the private markets industry and in particular both investor relations and investment activity.

As the Company is not a FTSE 350 company, Directors are not subject to annual election by the shareholders nor is the external audit contract put out to tender at least every ten years.

Details relating to each Director's remuneration are disclosed in the Directors' report.

Directors' Duties and Responsibilities

The Board of Directors has overall responsibility for the Company's affairs and is responsible for the determination of the investment policy of the Company, resolving conflicts and for monitoring the overall portfolio of investments of the Company. To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for performing certain of the day-to-day operations of the Company to the Investment Manager, the Investment Advisor and other third-party service providers, such as the Administrator and the Company Secretary. The Board receives full details of the Company's assets, liabilities and other relevant information in advance of Board meetings. The Board meets formally at least four times a year; however, the Investment Manager and Company Secretary stay in more regular contact with the Directors on a less formal basis. These formal and informal discussions allow the non-executive Directors to constructively challenge and assist in the development of strategy. Individual Directors have direct access to the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

The Directors have adopted a schedule of matters reserved for the Board as part of the London Stock Exchange listing process. This includes strategic discussions, monitoring of the share price (and associated premium or discount), approval of accounts, approval of dividends and the monitoring, evaluation, appointment and removal of service providers. The consent of the Board is required if the Investment Manager wishes to borrow more than 20% of the value of the Company assets or take a control position, in an underlying investment (excluding investments in pooling vehicles).

The Board confirms that it has considered and authorized any conflicts or potential conflicts of interest in accordance with the Company's existing procedures.

Board Meetings

The Board considers agenda items laid out in the Notice and Agenda which are formally circulated to the Board in advance of any meeting as part of the board papers. Such items include but are not limited to; investment performance, share price performance, review of marketing and shareholder communication. The Directors may request any Agenda items to be added that they consider appropriate for Board discussion. In addition, each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion. Board meetings are attended by representatives of the Investment Manager and the Investment Advisor. The Company's corporate brokers also attend to assist the Directors in understanding the views of major shareholders about the Company. Below is a summary of the Director attendance at Board meetings held in 2016, compared against those for which they were eligible:

R. Battey (4/4)
F. Dunlop (4/4)
B. Human (4/4)
H. von der Forst (4/4)
U. Wietlisbach (3/4)

During the period, there was one ad hoc meeting held on 16 December 2016.

Committee of the Board

The Board has established an Audit & Management Engagement Committee which was renamed, on 16 November 2015 to the Audit, Risk & Management Engagement Committee (AR&ME Committee), which meets at least four times a year and is responsible for ensuring that the financial performance of the Company is properly reported on and monitored. It provides a forum through which the Company's external auditors may report to the Board. Furthermore it ensures that any reports issued by the Board present a fair, balanced and understandable assessment of the Company's position and prospects. The AR&ME Committee reviews the annual, half yearly and quarterly accounts, results, announcements, internal control systems and procedures and accounting policies of the Company, together with the recommendation to appoint Independent Auditors.

The Board recognizes the importance of a sound risk management solution to safeguard Company's assets, protect the interests of the shareholders and meet its responsibilities as a listed company.

The AR&ME Committee's requirements for ensuring appropriate internal controls are in place and monitors the risks and their potential impact on the Company.

The risk management framework includes a sound system of internal control that is designed to:

- identify and appraise all risks related to achieving the Company's objectives including all investment, regulatory, reputational, operational and financial risk; manage and control risk appropriately rather than eliminate it;
- ensure the appropriate internal controls are embedded within the business processes and form part of the Company's culture which emphasizes clear management responsibility and accountabilities;
- respond quickly to evolving risks within the Company and the external business environment; and
- include procedures for reporting any control failings or weaknesses to the appropriate level of management together with the details of corrective action.

The Group's and Company's external auditors are PricewaterhouseCoopers CI LLP. The AR&ME Committee is responsible for reviewing the independence and objectivity of the external auditors, and ensuring this is safeguarded notwithstanding any provision of any other services to the Group or Company. The Board of Directors recognizes the importance of safeguarding auditor objectivity and has taken the following steps to ensure that auditor independence is not compromised:

- The AR&ME Committee carries out each year an evaluation of the external auditors as to its independence from the Group and Company and relevant officers of the Group and Company in all material respects, and that it is adequately resourced and technically capable to deliver an objective audit to shareholders. Based on this review the AR&ME Committee recommends to the Board the continuation, removal or replacement, of the external auditors. The external auditors may provide audit related services such as regulatory and statutory reporting and may also provide assistance on tax and regulatory matters given its knowledge of the Group's and Company's business. Such services will however be assessed on a case-by-case basis so that the best placed adviser is retained. Where the auditors are engaged to provide additional services, different teams are utilized by the auditors in providing these services.
- The AR&ME Committee gives careful consideration before appointing the auditors to provide other services. These other services are generally limited to work that is closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group's and Company's business is necessary. The external auditors did not provide any non-audit services during the year;
- The external auditors' report to the directors and the AR&ME Committee confirming their independence in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with SEC Independence Rules. In addition to the steps taken by the board to safeguard auditor objectivity, PricewaterhouseCoopers CI LLP operates a five-year rotation policy for audit engagement leaders on listed companies such as Princess;
- PricewaterhouseCoopers CI LLP have remained in place as auditors for a considerable number of years and the audit contract has not been put out to tender in the last 10 years. Their performance is reviewed annually by the AR&ME Committee; and
- As part of its review the AR&ME Committee notes that the audit engagement leader was rotated in 2013. Although PricewaterhouseCoopers CI LLP follows a five-year rotation policy, the current audit engagement leader's five-year term will end following the completion of the 2016 audit as a result of his prior involvement as a key audit team member in the prior year audits of the Group and Company.
- During the year PwC's 2015 year-end audit was selected for a quality review by the Financial Reporting Council (FRC). The Board discussed the findings of the review with PwC and was satisfied with the outcome.

Although the Directors believe that the Company and the Group have a robust framework of internal control in place, this can only provide reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The AR&ME approach their risk review covering qualitative and quantitative matters.

On a quarterly basis the AR&ME review the principal risks faced by the Company and the Group, covering investment risk, strategic risk, regulatory risk, reputational risk, operational risk, financial risk and market abuse. For each of these risks the AR&ME has evaluated how these risks could arise, assigned responsibility to control such risks and determined the current likelihood and impact of the risk occurring. The AR&ME make decisions and request additional reporting based on these findings.

Also, they receive, on a quarterly basis, from the Investment Advisor an assessment of the performance of the investments which it monitors based on the Investment Advisor's internal rating system.

On an annual basis the Board of Directors meet with the internal audit team of Partners Group Holding AG to discuss the upcoming audit plan, covering those assigned to Partners Group Holding AG and its affiliated entities, and the material results or findings of any reports for the previous period that affect the Company and the Group. Additionally the Board of Directors is provided with a copy of the Internal Controls report audited by PricewaterhouseCoopers AG in accordance with the International Standard on Assurance Engagement 3402 "Assurance reports on controls at a service organization". This information allows the Board of Directors to manage and control the services delegated to Partners Group and to seek clarification or updates

Also, on an annual basis the Committee reviews certain quantitative reports covering foreign currency exchange, interest rate risk, liquidity risk, market price risk and counterparty risk as disclosed in the notes to the consolidated financial statements.

The Board reviewed the Risk Management and Internal Control Systems on 13 March 2017. Good stewardship must not inhibit sensible risk taking, which is critical to growth, and while no cost-effective management system which allows such risk taking can be perfect, and monitoring systems will continue to evolve, the review confirmed that the systems of risk management and internal controls were robust and effective.

Statement of Principal Risks

The Board is responsible for managing and overseeing risk and reviews and assesses quarterly the risks which it considers apply to the Company. These risks encompass all risks to which the Company may be exposed and are generally ranked by a risk index, taking into account likelihood and impact.

When assessing the likelihood and potential impact of such risks, the Board considers whether the outcome could pose:

- an immediate threat to the existence of the Company;
- a medium-term threat (resulting in the Company or investment program being placed into run-off);
- a reputational threat from which the Company could be expected to recover fully in due course; or
- no immediate threat to the Company or its operating activities.

The risks are split into three main sections; external (covering regulatory and reputational risk), investment (covering investment and strategic risk) and operational (covering operational risk, financial risk and market abuse).

In its assessment the Board considers that none of the risks present an immediate threat to the existence of the Company and have in each case worked with the Investment Manager, Investment Advisor, Company Secretary or broker to ensure that adequate measures are in place to mitigate the occurrence of these risks. The Board also obtains regular reporting so that these risks can be continuously assessed.

The following table provides details of the five possible risks that where ranked as having the highest risk likelihood and/or impact at the year end.

Key risk	Assessment	Potential impact	Control exercised by the Board
Risk of investments becoming highly illiquid.	Increasing This risk was assessed as increasing. IPO activity has remained low and the Secondary market has also seen a fall in transaction volume.	Inability to realize investments.	Quarterly review of investment report, investment activity report and funding report by Investment Manager. Regular monitoring of cash flow receipts and unfunded commitments.
Loss from exposure to foreign exchange denominated hedged or un-hedged positions.	Increasing This risk was assessed as increasing, as volatility remains in the key foreign currency markets.	Decrease of net asset value outside of the control of the Investment Manager.	Quarterly review of foreign exchange exposure report and assessment of hedging strategy, as applicable.
Company's shares trade at a large discount.	Decreasing This risk was assessed as decreasing as the discount continues to decrease.	Lack of demand from shareholders and prospects.	Quarterly review of corporate broker report. Analyze cash receipts and unfunded commitments considering dividend expectations of shareholders as well.
Insufficient cash to fund existing commitments.	Stable This risk was assessed as stable as the Company continues to receive sufficient distributions to meet its cash requirements.	Company defaults on investments.	Quarterly review of investment report, investment activity report and funding report by investment manager. Receive cash flow from Partners Group.
Key service provider not executing prescribed roles under instruction of the Board.	Stable This risk was assessed as remaining stable and low as key service provider personnel are long-standing.	Instructions are not executed in a timely manner.	Review of open item list at board or committee meetings, compliance report and updates from internal auditor from Partners Group Holding AG.

Below is a summary of the Director attendance at AR&ME Committee meetings held in 2016, compared against those for which they were eligible:

R. Battey (4/4)
F. Dunlop (4/4)
B. Human (3/4)
H. von der Forst (3/3)

With the exception of Mr. Wietlisbach, the AR&ME Committee is composed of all the members of the Board, and has been chaired by Mr. Battey following his appointment on 28 May 2009. The Board is satisfied that at least one member of the AR&ME Committee has recent and relevant financial experience. Mr. von der Forst returned to the Committee on 7 March 2016 having previously resigned on 30 June 2014. Also, although Mr. Human is independent Chairman of the Company, he is also a member of the AR&ME Committee.

The AR&ME Committee has determined that the continuing appointment of the Investment Manager on the terms of the Investment Management Agreement is in the interests of Shareholders as a whole, given the global reach, access to leading private equity houses and expertise of the Investment Manager and through the Investment Manager to the Investment Advisor.

The Board undertakes an annual evaluation of its own performance and the performance of its committee and individual Directors, to ensure that they continue to act effectively and efficiently and to fulfill their respective duties, and to identify any training requirements. During this evaluation the Directors also reconfirmed that they continue to be able to allocate sufficient time to the Company in order to discharge their responsibilities. A full corporate governance review has been undertaken since the publication of the previous financial statements, which was facilitated by the Company Secretary. There were no matters of significance raised within the findings of the review and, as mentioned within this report, the non-independent director is considered to be Mr. Wietlisbach.

The Board has undertaken an annual review of the effectiveness of the Company's and the Group's system of internal controls and the safeguarding of shareholders' investments and the Company's assets. There were no significant matters raised within the findings of the review.

The Directors acknowledge that the Administrator has appropriate systems, controls and processes that are used in the production of the consolidated financial statements and that these are re-evaluated at the end of the financial reporting period through the approval of the relevant financial statements. Given the size and nature of the Company, it is not deemed necessary to form a separate remuneration or nomination committee. The Board, as a whole, will also consider new Board appointments.

In determining the process for the identification of suitable candidates to fill open positions within the Board of Directors, the Board recognizes the importance of diversity and that it is a much wider issue than gender. The Board expects that its members should collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Company's business.

The significant areas considered by the AR&ME Committee and discussed with the external auditors during the year were:

- Unquoted investments: reports from the Investment Manager are received on a quarterly basis on the portfolio development and the impact on the Direct and Indirect Investments, together with the significant unobservable valuation inputs for the level 3 investments. The AR&ME Committee was content after due challenge and debate with the assumptions and judgments applied in relation to the Investment Manager's recommendations adopted by the Directors in respect of the valuation of unquoted investments.
- Presumed risk of fraud and management override of controls: The AR&ME Committee considered the presumed risks of fraud as defined by auditing standards and was content that there were no issues arising.
- Financial statements: the presentation of the financial statements is considered, and in particular, the disclosures in connection with International Financial Reporting Standards. The AR&ME Committee is satisfied with the presentation of the audited consolidated financial statements of the Group.

Viability Statement

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed above. The Directors consider this is an appropriate period to assess the viability of an investment company for the purposes of giving assurance to shareholders.

The strategy and associated principal risks underpin the Group's three year plan and scenario testing, which is reviewed by the Directors on a quarterly basis. The three year plan is built on an investment by investment basis using a bottom up approach. The three year plan makes certain assumptions about the development of underlying investments, in terms of future expected capital calls and distributions, potential future investments and the ability to refinance debt when required. The plan is built, monitored and updated quarterly based on expected cash flow ratios and any changes to forward looking assumptions, which help to drive the model to determine when to make new investments.

The three year plan review is underpinned by the regular Board of Directors briefings provided by the Investment Manager, including discussions around liquidity reporting and risk management reports undertaken by the Board of Directors in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to realize investments at their fair value and secure new investments while maintaining sufficient working capital. These risks are considered within the Board of Directors' risk appetite framework.

Based on the Company's processes for monitoring, anticipating and managing cash flow, operating costs, share price discount, the Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, gearing, counterparty exposure and liquidity risk, the Directors have concluded that there is a reasonable expectation that the company will continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2019.

Shareholder Communication

The Directors place great importance on shareholder communication while the Investment Manager and the Investment Advisor also carry out a program of regular meetings with shareholders and potential investors. The Company publishes a monthly report with key financial data and issues affecting the portfolio, and publishes quarterly financial statements as well as unaudited semi-annual and audited annual accounts. Conference calls are arranged on a quarterly basis at which the Investment Advisor provides an in-depth review of developments in the portfolio and gives a market overview. In order to ensure that the Directors are aware of shareholders' views and concerns, at least one independent Director attends these quarterly conference calls. In addition the brokers also present a summary of shareholders' sentiment at the quarterly board meetings. These initiatives in combination assist the Board to develop a balanced understanding of the issues and concerns of major shareholders. In addition the Directors propose a separate resolution on each substantial issue tabled at the annual general meeting, including the approval of the financial statements, and publish on the Company's website, shortly after the Annual General Meeting, details of the valid proxies received, votes for and against and withheld in relation to each resolution. Regular news releases are also published.

R. Battey
Director

F. Dunlop
Director

15 March 2017

11. Independent auditors' report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINCESS PRIVATE EQUITY HOLDING LIMITED

For the year ended 31 December 2016

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Princess Private Equity Holding Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2016 and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The Group's consolidated financial statements comprise:

- the Consolidated Statement of Financial Position as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with SEC Independence Rules. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and SEC independence rules.

Our audit approach

Overview

Context

The Group's return is driven primarily by the performance of the underlying investment portfolio and so the underlying performance and prevailing trading conditions of these direct and indirect investments in unlisted companies, funds and listed companies are of particular relevance to our audit.

Materiality

Overall Group materiality: €15.8 million which represents 2.25% of Net Assets

Group Scoping

- The principal activities of the Group comprise investing in a portfolio of private market investments.
- The financial statements are a consolidation of the parent company and a number of subsidiaries which hold these investments. The subsidiaries and the parent company are all domiciled in Guernsey.

Key Audit Matters

- Valuation of Unlisted Investments
- Calculation of incentive fees

Audit Scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality

€15.8 million

How we determined it

2.25% of Net Assets

Rationale for the materiality benchmark applied

We believe that Net Assets is the primary measure used by the shareholders in assessing the performance of the Group, and this is a generally accepted auditing benchmark used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.79 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. In the table below, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address the matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter: Valuation of the Unlisted Investments

Refer to the Directors' report, the Basis of preparation, the Principal accounting policies and notes 4, 9, 13, 17, 18 and 20 to the consolidated financial statements.

The Group has a diverse investment portfolio consisting of unlisted companies, funds and listed companies. The valuation of the portfolio of Unlisted Investments is significant in assessing the financial position and performance of the Group and is an area to which significant judgement is often applied and estimates made by the Directors.
The Unlisted Investments are valued on a basis considered most appropriate by the Directors, dependent on the nature of the underlying business which has been invested in. This includes:

- Applying a multiple to earnings;
- Applying a discount rate to future cash flows;
- Using recent transaction prices;
- Using net asset values received from the relevant general partners; and
- Using underlying asset valuations.

Where a multiple is applied to earnings, the multiple is normally calculated by taking a discount to the multiple of similar, listed companies. This discount typically reflects differences between these companies and the company being valued, for example, size and marketability differences between listed and unlisted companies.

Both determining the valuation methodology and determining the inputs to the valuation are subjective and complex. This, combined with the significance of the Unlisted Investments balance in the Consolidated Statement of Financial Position, meant that this was a key audit matter for our current year audit.

How our audit addressed the key audit matter

We updated and reconfirmed our understanding and evaluation of management's processes and internal controls in so far as they apply to investment valuations, the valuation models used and the areas where significant judgements and estimates are made. We also performed tests over key controls in order to validate their operating effectiveness.

The Unlisted Investments are generally investments in private companies (direct investments) and are initially valued by Management and then subject to review by the Valuations Committee before being recommended to the Directors for review, challenge and approval. We discussed with and challenged Management as to the appropriateness of the valuation methodology applied, using our knowledge of the investments and the International Private Equity and Venture Capital Valuation guidelines.

For a sample of investments, we tested the valuation techniques that Management used to value these Unlisted Investments as follows:

- We obtained Management's valuation model containing earnings, trading multiples for listed comparable companies and the multiple used to value the investment, or the relevant cash flows models and discount rates applied.

- We checked the mathematical accuracy of the model.

- We obtained the management information including budgets, forecasts and cash flows for the portfolio companies being valued. We used this to corroborate the earnings and cash flows being used in the model in relation to the unlisted company being valued. We assessed the appropriateness of the earnings or cash flows being used based on our understanding of the financial performance of the portfolio companies, independently confirming a sample of the management information received by Management and challenged changes made by Management in the application of this input to the valuation.

- In testing Management's fair valuation process, we assessed trading multiples for the comparable companies identified by Management and compared them to the multiples used in the valuation. We also considered whether any other traded companies may be comparable and considered the impact of their inclusion in the sourced trading multiples on the valuation, where and if considered appropriate.

- We independently sourced, where appropriate, the basis of the discount rates used in any discounted cash flow calculations.

- We challenged Management on any adjustment to the comparable multiples to arrive at the multiple or discounted rate used in their valuation. This included considering changes in these discounts since the latter of the deal date and the prior year-end and considering how these changes compared relative to the performance of the portfolio company against the relevant industry sector.

- Where a recent transaction price had been used to fair value investments, we challenged Management on whether there had been any changes in facts and circumstances since the transaction was completed which may indicate that a change in valuation would be appropriate. Where the Group was a counterparty to such transactions, the transactions were subjected to audit testing. Where the Group was not a counterparty, we obtained a sample of the evidence of such transactions independently. This included the use of financial information to assess the performance of the underlying company or fund. We were satisfied that where this basis had been used that the facts and circumstances supported this valuation approach.

- Where underlying net asset valuations were used to value investments in funds (indirect investments), we corroborated these by tracing them to supporting documentation such as third party valuation reports received by Management. Such source documentation was also used to confirm details such as the Group's committed capital, unfunded commitments, percentage ownership and other specific details of the respective fund investments. We also evaluated the appropriateness of such source documentation by independently confirming a sample thereof with the administrators of the underlying funds. In addition, we evaluated the reliability of this information by comparing such source documentation used in the Group's prior year valuations against the audited financial statements issued by the underlying funds in which the Group was invested. We did not identify any misstatements or issues with the reliability of such source documentation as a result of this testing.

Based on this work, we were satisfied that the assumptions used by management were within an acceptable range and that the calculations were mathematically accurate.

Key audit matter: Calculation of Incentive Fees

See notes 5 and 15 of the consolidated financial statements for further information on the incentive fees payable by the Group.

Incentive fees comprise amounts accrued and payable to Princess Management Limited ("the Investment Manager") to compensate them for services provided in a way which aligns their remuneration with the Group's investment performance.

The incentive fee calculations, which are undertaken in accordance with the investment management agreement between the Group and the Investment Manager are relatively complex, which increases the risk of error.

Incentive Fees are calculated based on the fair value and cash flows of each direct and secondary investment. This calculation is performed separately for each direct and secondary investment, and also includes adjustments for such items as fee rebates. This means that some of the calculations can be based on complex calculations with a number of data inputs.

We focused on both the accuracy and completeness of the incentive fee calculation due to the complexity of the calculation and also due to the nature of the incentive fees which means that there may be an incentive for these to be overstated.

How our audit addressed the key audit matter

Our audit approach was based upon the specifics of the incentive fee arrangements as set out in the investment management agreement and the notes to the consolidated financial statements, and which are described in the Company's offering documents.

In assessing the accuracy and completeness of the incentive fees:

- We obtained a summary of incentive fees charged and examined the offering documents and investment management agreement to ensure that any incentive fees are being calculated and accrued only when applicable;
- We also ensured that all parameters of the incentive fee calculation were included, as set out in the offering documents and investment management agreement;
- We performed controls testing over the occurrence of the investment disposals, the value of such disposals and the gains realised on such disposals. This included ensuring that the returns achieved exceeded the conditions in place for the incentive fee to be evaluated; and
- We recalculated the incentive fee attributable to the Investment Manager using the applicable methodology.

We did not identify any differences through this testing.

Other information

The Directors are responsible for the other information. The other information comprises the Key figures, the Chairman's report, the Market overview, the Investment Manager's report, the Portfolio composition, the Portfolio overview, the Structural overview, the Company information, the Board of Directors, the Directors' report and the Corporate governance statement, but does not include the consolidated financial statements and our auditors' report thereon.

Other than as specified in our report, our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

- The Directors' statement set out on page 29 in relation to going concern. As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the consolidated financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern;
- The Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit;
- The part of the Corporate Governance Statement relating to the Group's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Guernsey, Channel Islands
15 March 2017

12. Audited consolidated financial statements

Audited consolidated statement of comprehensive income

for the period from 1 January 2016 to 31 December 2016

In thousands of EUR	Notes	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Net income from financial assets at fair value through profit or loss		**115'202**	**139'083**
Private equity		*107'870*	*122'383*
Interest & dividend income	19	5'979	842
Revaluation	9,20	97'171	100'218
Net foreign exchange gains / (losses)	9,21	4'720	21'323
Private debt		*4'536*	*11'981*
Interest income (including PIK)	19	2'120	1'924
Revaluation	9,20	1'731	4'810
Net foreign exchange gains / (losses)	9,21	685	5'247
Private real estate		*27*	*802*
Revaluation	9,20	22	781
Net foreign exchange gains / (losses)	9,21	5	21
Private infrastructure		*2'769*	*3'917*
Revaluation	9,20	1'930	3'251
Net foreign exchange gains / (losses)	9,21	839	666
Net income from short-term investments		**-**	**(10)**
Interest income	19	-	(10)
Net income from cash & cash equivalents and other income		**4**	**(638)**
Interest income / (expense)	19	(37)	51
Net foreign exchange gains / (losses)	21	41	(689)
Total net income		**115'206**	**138'435**
Operating expenses		**(24'845)**	**(20'434)**
Management fees	22	(10'258)	(10'712)
Incentive fees	15,22	(13'236)	(11'913)
Administration fees	22	(338)	(314)
Service fees	22	(250)	(250)
Other operating expenses		(690)	(1'349)
Revaluation of other long-term receivables	20	(14)	(9)
Other net foreign exchange gains / (losses)	21	(59)	4'113
Other financial activities		**(7'497)**	**(16'795)**
Setup expenses - credit facilities	14	(909)	(231)
Interest expense - credit facilities	14,19	-	131
Other finance cost		(247)	533
Net gains / (losses) from hedging activities	10,20	(6'341)	(17'228)
Surplus / (loss) for period		**82'864**	**101'206**

In thousands of EUR	Notes	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Other comprehensive income for period; net of tax		-	-
Total comprehensive income for period		**82'864**	**101'206**
Weighted average number of shares outstanding		69'151'168.00	69'151'168.00
Basic surplus per share for period		1.20	1.46
Diluted surplus per share for period		1.20	1.46

The Euro earnings per share is calculated by dividing the surplus / (loss) for period by the weighted average number of shares outstanding

Audited consolidated statement of financial position

As at 31 December 2016

In thousands of EUR	Notes	31.12.2016	31.12.2015
ASSETS			
Financial assets at fair value through profit or loss			
Private equity	9,18	539'374	512'404
Private debt	9,18	78'194	72'376
Private real estate	9,18	11'397	14'064
Private infrastructure	9,18	21'847	15'765
Other long-term receivables		3'009	2'935
Non-current assets		**653'821**	**617'544**
Other short-term receivables		10'026	1'477
Hedging assets	10,18	-	1'300
Cash and cash equivalents	11	65'751	59'766
Current assets		**75'777**	**62'543**
TOTAL ASSETS		**729'598**	**680'087**
EQUITY AND LIABILITIES			
Share capital	12	69	69
Retained earnings		254'083	171'219
Reserves	12	448'756	486'098
Total equity		**702'908**	**657'386**
Hedging liabilities	10,18	2'843	-
Accruals and other short-term payables		23'847	22'701
Liabilities falling due within one year		**26'690**	**22'701**
TOTAL EQUITY AND LIABILITIES		**729'598**	**680'087**

Audited consolidated statement of changes in equity

for the period from 1 January 2016 to 31 December 2016

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	171'219	486'098	657'386
Dividend paid during period	-	-	(37'342)	(37'342)
Surplus / (loss) for period	-	82'864	-	82'864
Equity at end of period	**69**	**254'083**	**448'756**	**702'908**

for the period from 1 January 2015 to 31 December 2015

In thousands of EUR	Share capital	Retained earnings	Reserves	Total
Balance at the beginning of period	69	70'013	523'440	593'522
Dividend paid during period	-	-	(37'342)	(37'342)
Surplus / (loss) for period	-	101'206	-	101'206
Equity at end of period	**69**	**171'219**	**486'098**	**657'386**

Audited consolidated statement of cash flows

for the period from 1 January 2016 to 31 December 2016

In thousands of EUR	Notes	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Operating activities			
Surplus / (loss) for period before interest expense		82'864	101'075
Adjustments:			
Net foreign exchange (gains) / losses	21	(6'231)	(30'681)
Investment revaluation	20	(100'854)	(109'060)
Revaluation of other long-term receivables	20	14	9
Net (gain) / loss on interest	19	(2'302)	(2'807)
Net (gain) / loss on dividends	19	(5'760)	-
Revaluation on forward hedges	10,20	6'341	17'228
(Increase) / decrease in receivables		(8'730)	59'435
Increase / (decrease) in payables		1'180	7'378
Realized gains / (losses) from forward hedges	10	(2'198)	(24'323)
Purchase of private equity investments	9	(65'226)	(81'851)
Purchase of private debt investments	9	(29'600)	132
Purchase of private real estate investments	9	221	(169)
Purchase of private infrastructure investments	9	(5)	(98)
Distributions from and proceeds from sales of private equity investments	9	140'147	97'616
Distributions from and proceeds from sales of private debt investments	9	16'538	13'381
Distributions from and proceeds from sales of private real estate investments	9	2'473	2'769
Distributions from and proceeds from sales of private infrastructure investments	9	1'800	686
Interest & dividends received		12'614	1'930
Net cash from / (used in) operating activities		**43'286**	**52'650**
Financing activities			
Interest paid - credit facilities	14	-	(201)
Dividends paid	12	(37'342)	(37'342)
Net cash from / (used in) financing activities		**(37'342)**	**(37'543)**
Net increase / (decrease) in cash and cash equivalents		**5'944**	**15'107**
Cash and cash equivalents at beginning of period	11	**59'766**	**45'348**
Effects of foreign currency exchange rate changes on cash and cash equivalents	21	41	(689)
Cash and cash equivalents at end of period	11	**65'751**	**59'766**

Notes to the audited consolidated financial statements

for the period from 1 January 2016 to 31 December 2016

1 Organization and business activity

Princess Private Equity Holding Limited (the "Company") is an investment holding company established on 12 May 1999. The Company's registered office is Tudor House, St. Peter Port, Guernsey, GY1 1BT. The Company is a Guernsey limited liability company that invests in a broadly diversified portfolio of private market investments through its wholly-owned subsidiary, Princess Private Equity Subholding Limited (the "Subsidiary"). The Subsidiary also holds certain investments through its wholly-owned subsidiary Princess Direct Investments, L.P. Inc. (the "Sub-Subsidiary"). The Sub-Subsidiary, the Subsidiary and the Company form a group (the "Group"). Both of these subsidiaries are consolidated as they are deemed to provide investment related services to the Company.

The shares of the Company were listed on the Prime Standard of the Frankfurt Stock Exchange from 13 December 2006 until 5 December 2012 (date of delisting). The shares of the Company remain listed on the main market of the London Stock Exchange, where they have been listed since 1 November 2007.

2 Basis of preparation

The consolidated financial statements comprise the financial statements of the Group. The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention as modified by the revaluation of "financial assets and financial liabilities at fair value through profit or loss".

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where assumptions, judgments and estimates are significant to the consolidated financial statements are disclosed in a subsequent note; "critical accounting estimates and judgments".

The Directors of the Company have elected to prepare consolidated financial statements for Princess Private Equity Holding Limited for the period ended 31 December 2016 as the parent of the Group in accordance with Section 244(5) of The Companies (Guernsey) Law, 2008. They are not required to prepare individual accounts for Princess Private Equity Holding Limited in accordance with Section 243 of The Companies (Guernsey) Law 2008 for the financial period.

3 Principal accounting policies

The following accounting policies have been applied consistently, except where otherwise noted, in dealing with items which are considered material in relation to the Group's audited consolidated financial statements.

From 1 January 2016 the following existing revised IFRS and interpretations to existing standards were required to be adopted. The Group has consequently adopted all relevant and below mentioned standards since 1 January 2016.

IFRS 10, IFRS 12 and IAS 28 - Clarifications and interpretations to requirements when accounting for investment entities
Annual improvements 2012 - 2014 (effective 1 January 2016)
Amendments to IAS 1 (effective 1 January 2016) related to disclosure initiatives.

The Directors of the Company have assessed the impact of implementing these amendments and concluded that these standards and new interpretations did not affect the Group's results of operations or financial position in either of the periods presented.

The following standards, interpretations and amendments to published standards that are mandatory for future accounting periods, but where early adoption is permitted now, have not been duly adopted:

IAS 7 (effective 1 January 2017) - Statement of cash flows
IFRS 9 (effective 1 January 2018) - Financial instruments
IFRS 15 (effective 1 January 2018) - Revenue from contracts with customers

The Directors of the Company are in the process of assessing the impact of these standards and believe that these new accounting standards and interpretations will not significantly affect the Group's results of operations or financial position. The Directors of the Company do, however, believe that these standards will require additional disclosures.

Segmental reporting

IFRS 8 - Operating segments requires segments to be identified and presented following a 'management approach' under which segment information is presented on the same basis as that used for internal reporting and monitoring purposes. Operating segments are reported in a manner consistent with internal reporting of the Partners Group AG (the "Investment Advisor"), who have also been identified as the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, and is appointed by the Directors. Operating segments have been identified as: private equity, private debt, private real estate, private infrastructure and private resources. Only those segments applicable within the reporting periods have been reflected in these audited consolidated financial statements.

Consolidation

The Directors of the Company have determined that the Company is an investment entity in accordance with IFRS 10 based on the fact that it meets the relevant definition criteria. The Company:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;
(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

As a result, the Group does not consolidate any entities other than the Subsidiaries, as further described in note "Critical accounting estimates and judgments".

Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated on consolidation.

A list of the Group's subsidiaries is set out in a subsequent note. The consolidation is performed using the purchase method. All Group companies have 31 December as the end of their reporting periods.

Net income from short-term investments and cash and cash equivalents

Income from bank deposits and interest income from short-term investments are included on an accruals basis using the effective interest rate method. Gains and losses from short-term investments and gains and losses from cash and cash equivalents also include the increase or decrease in the value of short-term investments purchased at a discount or a premium. All realized and unrealized surpluses and losses are recognized in the audited consolidated statement of comprehensive income. Dividend income is recognized when the right to receive payment is established.

Expenditure

All items of expenditure are included in the audited consolidated financial statements on an accruals basis.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the entity operates (the "Functional Currency") that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Group's economic environment has been assessed and determined in accordance with the primary and secondary indicators defined in IAS 21 - The Effects of Changes in Foreign Exchange Rates. The audited consolidated financial statements are presented in Euros, which is the Company's Functional and the Company and Group's presentation Currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end of the reporting period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the audited consolidated statement of comprehensive income.

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Group classifies its investments in private equity, private debt, private real estate, private infrastructure and private resources, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Directors of the Company at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the short-term.

Where the Group has hedged the value of non-Functional Currency investments against the Functional Currency the Group does not use hedge accounting as defined in IAS 39. Derivative financial instruments are classified as financial assets and liabilities held for trading. They are initially recognized in the audited consolidated statement of financial position at fair value and are subsequently remeasured to fair value. As a result, the realized gains/losses and the unrealized changes in fair value are recognized in the audited consolidated statement of comprehensive income under the heading "Other financial activities". The fair values of various derivative instruments used for hedging purposes, if any, are disclosed in the notes.

Financial assets and financial liabilities at fair value through profit or loss at inception consist of interests which are acquired by the Group (including all related securities) in (typically unlisted) direct private equity investments ("Direct Investments") and all other types of investments, which comprise of investments in other investment vehicles ("Indirect Investments"). These are managed and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is used by the Investment Manager and the Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

In setting the Group's investment policy the Directors have determined their intention to focus on making investments in entities that adopt an internationally recognized standard of accounting.

(b) Recognition and derecognition

All transactions relating to financial assets and financial liabilities at fair value through profit or loss are recognized on the settlement date or when all risks and rewards of ownership have been transferred.

Any distributions, including return of principal of investment, received from the underlying Direct and Indirect Investments are recognized when the Group's right to receive payment has been established.

Financial assets and financial liabilities at fair value through profit or loss are derecognized when the right to receive cash flows has expired or where substantially all risks and rewards of ownership have been transferred.

Cash and PIK interest relating to debt investments held at fair value through profit or loss are recognized on an accruals basis within interest income (including PIK) in the audited consolidated statement of comprehensive income when the Group's right to receive payment is established.

(c) Measurement

As a matter of principle, financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss are presented in the audited consolidated statement of comprehensive income within net income from financial assets at fair value through profit or lossin the period in which they arise.

Distributions from Indirect Investments held at fair value through profit or loss are recognized in the audited consolidated statement of financial position when the Group's right to receive payment is established. Distributions received from Indirect Investments are recognized first as a repayment of the original capital contributed to the Indirect Investments which is substantially in keeping with the distribution arrangements prescribed by the constituent documents of the Indirect Investments. On repayment of any of the original capital contributed in full to the Indirect Investments, all subsequent distributions are recognized in the audited consolidated statement of comprehensive income within revaluation.

Any interest and dividend distributions derived from Direct Investments are recognized when the Group's right to receive payment is established and included within interest and dividend income in the audited consolidated statement of comprehensive income.

(d) Fair value estimation

The fair values of financial instruments whose principal markets are actively traded exchange markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the price within the bid-ask spread which is most representative of fair value at the end of the reporting period.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each period. Quoted market prices or dealer quotes for specific similar instruments are also used for long-term debt where appropriate. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques, such as, option pricing models and estimated discounted value of future cash flows.

Short-term investments
Short-term investments consist of investments in treasury bills and money-market funds with a stated maturity between 3 and 12 months at the date of acquisition. Short-term investments are initially recognized at fair value and subsequently measured at fair value through profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the audited consolidated statement of financial position where there is currently a legally and contractually enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. A current legally and contractually enforceable right to offset must not be contingent on a future event. Furthermore, it must be legally and contractually enforceable in (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank, term deposits and treasury bills with a maturity of three months or less. Cash and cash equivalents are stated at the carrying amount as this is a reasonable approximation of fair value. Bank overdrafts are included within liabilities falling due within one year in the audited consolidated statement of financial position.

Other short-term and long-term receivables

Other short-term receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets unless the maturities are more than 12 months after the end of the reporting period where they are classified as non-current assets. Other short-term and long-term receivables are stated at the contractual amount less impairment, if any, as this is a reasonable approximation of fair value.

Other long-term receivables also include amounts receivable by the Group at the reporting date which represent distributions from underlying investments that are held through special purpose vehicles that could be subject to corporate tax in jurisdictions different to that of the Group. In certain cases, all distributions received from underlying investments must be retained in such vehicles until the investment is fully realized in order to benefit from such structuring. It has been determined that future payments may need to be made by the special purpose vehicles to tax authorities in the jurisdictions in which these are based, and as such not all of the amounts paid by the underlying investment may be recoverable in full by the Group should the distributions be taxed. As a result, these long-term receivable balances are assessed for taxes owing and the resulting revaluation of these long-term receivables is recorded under 'revaluation of long-term receivables' in the audited consolidated statement of comprehensive income. These underlying investments and related calls and distributions have been accounted for on a look-through basis.

Deferred receivables on investments

Deferred receivables on investments meet the definition of a financial asset as they are a contractual right for a specified amount at a specified date. Initially deferred receivables on investments which represent a financial asset are recognized at fair value. Subsequently these are measured at amortized cost using the effective interest method. They are classified as assets falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as non-current assets. A deferred receivable on investments is derecognized when the obligation under the asset is received or discharged.

Accruals and other short-term payables

Accruals and other short-term payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are classified as liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year. Accruals and other short-term payables are stated at the carrying amount as this is a reasonable approximation of fair value.

Borrowings

Borrowings consist of credit facilities and loans received either from financial institutions or from related parties. Such borrowings are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. In the audited consolidated statement of financial position borrowings are classified as liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year.

Deferred payments

Deferred payments meet the definition of a financial liability as they are a contractual obligation for a specified amount at a specified date. Initially deferred payments which represent a financial liability are recognized at fair value. Subsequently these are measured at amortized cost using the effective interest method. They are classified as liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year. A deferred payment is derecognized when the obligation under the liability is paid or discharged.

Equity

Shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

4 Critical accounting estimates and judgments

There is significant subjectivity in the valuation of Direct and Indirect Investments with very little transparent market activity to provide support for fair value levels at which willing buyers and sellers would transact. In addition there is subjectivity in the cash flow modeling due to the fact that the underlying investments, in many cases, require funding based on the future development of their investments. The estimates and judgments employed therein are therefore continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Unquoted investments

For the valuation of such investments the Investment Manager reviews the latest information provided by underlying investments and other business counterparties, which frequently does not coincide with the valuation date, and applies widely recognized market and income valuation methods to such information such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation as well as market prices to estimate a fair value as at the end of the reporting period. In order to determine the underlying assumptions of such methods significant judgment is required. The areas of such judgment include, but are not limited to:

- Selection of the valuation technique;
- Selection of a set of comparable listed companies;
- Selection of performance measures of such listed companies in order to determine comparable trading multiples;
- Determination of adjustments to comparable trading multiples based on qualitative factors;
- Determination of future cash flows;
- Determination of applicable discount rates considering own and counterparties' credit risk;
- Selection of recent transactions for the sales comparison method;
- Determination of applicable capitalization rates for the income method; and
- Determination of applicable discount rates considering own and counterparties' credit risk.

As part of the fair valuation of such investments, the Investment Manager uses observable market data (whenever possible), unobservable data and cash flow data to consider and determine the fair values of the underlying investments. Furthermore the Investment Manager considers the overall portfolio against observable data and general market developments to determine if the values attributed appear to be fair based on the current market environment. The Investment Manager makes practical efforts to obtain the latest available information pertaining to the underlying unquoted investments.

As part of the continuous evaluation of the fair value of the underlying unquoted investments, the fair value assessment procedures are determined by the Investment Manager independent of the Investment Advisor's investment committee. In addition, the Investment Manager is also responsible for ensuring that these procedures are adhered to during the assessment of the fair values.

Based on an assessment of relevant applicable indicators of fair value, the Group estimates the fair values as at the valuation date. Such indicators may include, but are not limited to:

- An underlying investment's most recent reporting information including a detailed analysis of underlying company performance and investment transactions with the Indirect Investments between the latest available reporting of the underlying investment and the end of the reporting period of the Group;
- Review of a Direct Investment's most recent accounting and cash flow reports and models, including data supplied by both the sponsor and the company and any additional available information between the date of these reports and the end of the reporting period of the Group;
- Review of recent transaction prices and merger and acquisition activity for similar Direct Investments;
- Review of the Indirect Investment's application of generally accepted accounting principles and the valuation method applied for its underlying investments such as discounted cash flow and multiple analysis, which are based on available information; and
- Review of current market environment and the impact of it on the Direct and Indirect Investments.

The variety of valuation bases adopted, quality of management information provided by the underlying Indirect Investments and the lack of liquid markets for the investments held mean that there are inherent difficulties in determining the fair values of these investments that cannot be eliminated. There are significant estimates and assumptions that are used in establishing the fair value of financial assets and liabilities. As a result, the actual amounts realized on the sale of these instruments may differ from the fair values reflected in these financial statements and these differences may be significant as a result of the judgments applied.

Cash flow modeling

In addition to the review of historical data within the cash flow modeling, the Investment Manager also takes into account current portfolio data together with the expected development of the market environment based on observable market information and subjects this to simulations and stress-tests to consider certain scenarios which could occur and their potential impact on the Group and its investment commitment and funding strategy.

The results of such observations are included within the investment models to provide an insight into future expected cash flows and the liquidity requirements of the Group.

As at the end of the reporting period, the Group estimates the cash flow requirements based on an assessment of all applicable indicators, which may include but are not limited to the following:

- Historical statistical data: external and internal data serve as the statistical basis of the quantitative model;
- Current portfolio company information: the model is updated to take into account current data from the Group's Direct and Indirect Investments;
- Input from the Investment Advisor's investment professionals: qualitative and quantitative inputs from the general market environment and the specific portfolio in the model;
- Monte-Carlo simulations and stress-tests: stochastic behavior of private market cash flows combined with valuations and tailor-made scenario analyses provide the basis for commitment decisions and quantitative risk management; and
- Use of borrowings and anticipated usage of such borrowings for anticipated drawdowns in relation to unfunded commitments to Direct and Indirect Investments.

There is uncertainty in the estimates and judgment in the cash flow modeling assumptions concerning the future and as such the Investment Manager, on instruction from the Board of Directors, continuously compares these assumptions against actual developments and adjusts and reports the cash flow model accordingly, including the short term credit facility.

Investment entity status of Subsidiaries

The assessment whether to consolidate the Subsidiaries which relate to the Company's investment activities requires judgment as to whether those subsidiaries meet the definition of an investment entitiy. Management has concluded that the Subsidiary and the Sub-Subsidiary do not meet the definition of an investment entity as each of their primary service is to provide investment related services to the parent company. These Subsidiaries continue to be consolidated.

5 Expenses

Management fees

Under the Investment Management Agreement ("IMA") between the Company and Investment Manager the Company pays, in arrears, to the Investment Manager quarterly management fees. The quarterly management fees are calculated as 0.375% of the higher of the sum of Private Equity Net Assets which is the higher of (i) the net asset value of the Company and (ii) the value of the assets less any temporary investments of the Company, plus the amount of the unfunded commitment of the Company or the Net Assets of the Group at the end of the quarter.

Administration fees

The administration fees are paid quarterly in advance pursuant to the Administration Agreement between the Company and Partners Group (Guernsey) Limited (the "Administrator"). The quarterly administration fees are calculated as 0.0125% of the first USD 1 billion of Net Assets and 0.005% of the amount by which such Net Assets exceed USD 1 billion.

Service fees

For the services provided, the Company shall pay the Investment Manager a quarterly compensation of EUR 62'500 excluding VAT, if any, including any overhead, travel, out-of-pocket, IT and other infrastucture expenses in connection with the provision of services under the Investor Relations Agreement.

Incentive fees

In accordance with the IMA, the Investment Manager is entitled to receive a share of the realized profits of the Company, otherwise referred to as incentive fees ("Incentive Fees"). In accordance with the IMA, Incentive Fees are calculated on each reporting date, taking into account the required performance conditions and distribution arrangements of the Company.

Distributions of cash proceeds derived from each secondary investment are distributed to the Company or due to the Investment Manager as Incentive Fees in the following order of priority: (i) The Company shall receive distributions equal to its aggregate secondary investment contributions in respect of the relevant secondary investment plus an amount (the "Preferred Return") calculated at the rate of 8% per annum compounded annually on their contributions and distributions derived from the relevant secondary investment. (ii) Thereafter the Investment Manager shall receive Incentive Fees until such time as the Investment Manager has received 10% of the sum of the distributed Preferred Returns and the Incentive Fees made under this clause. (iii) Thereafter, 90% shall be distributed to the Company and 10% shall be allocated to the Investment Manager as additional Incentive Fees.

Distributions of cash proceeds derived from each Direct Investment are distributed to the Company or due to the Investment Manager as Incentive Fees in the following order of priority: (i) The Company shall receive distributions equal to its aggregate Direct Investment contributions in respect of the relevant Direct Investment plus an amount (the "Preferred Return") calculated at the rate of 8% per annum compounded annually on their contributions and distributions derived from the relevant Direct Investment. (ii) Thereafter the Investment Manager shall receive Incentive Fees until such time as the Investment Manager has received 15% of the sum of the distributed Preferred Returns and the Incentive Fees made under this clause. (iii) Thereafter, 85% shall be distributed to the Company and 15% shall be allocated to the Investment Manager as additional Incentive Fees.

Incentive Fees are calculated on an annual basis based on the value of each direct and secondary investment as measured at the reporting date, whether or not such investments are made through a pooling vehicle. This calculation is performed separately for each direct and secondary investment.

The foreign currency exchange fluctuations are included in this calculation.

The change in Incentive Fees is accounted for on an accruals basis and is presented separately in the audited consolidated statement of comprehensive income.

During the reporting period EUR 12'234'892 in Incentive Fees were paid (2015: EUR 4'872'484).

6 Taxation

The Company and the Subsidiaries are exempt from taxation in Guernsey under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and are each liable for the payment of an annual fixed rate of GBP 1'200 per annum for the granting of the exemption.

The Group may incur withholding taxes imposed by certain countries on income from underlying investments. Such income is recorded gross of withholding taxes in the audited consolidated statement of comprehensive income.

7 Dividends

During the reporting period, the Board of Directors of Princess Private Equity Holding Limited paid two interim dividends, each of EUR 0.27 per Ordinary Share, which were paid on 17 June 2016 and 16 December 2016, in total amounting to EUR 37.3 million (2015: EUR 37.3 million).

8 Segment calculation

The Investment Advisor makes strategic allocations of assets between segments on behalf of the Group. The Group has determined the operating segments based on the internal reporting provided by the Investment Advisor to the Board of Directors on a regular basis.

The Investment Advisor considers that the investment portfolio of the Group may consist of up to five sub-portfolios, which are managed by specialist teams within the Investment Advisor. Only those segments applicable within the reporting period have been reflected in these audited consolidated financial statements and the notes below. There were no changes in the reportable segments during the period.

The Investment Advisor assesses the performance of the reportable segments based on the net income from and capital appreciation of the financial assets at fair value through profit or loss by segment, based on the fair value methodologies adopted by the Group. This measurement basis excludes any additional general income and expenses which are not allocated to segments but are managed by the Administrator on a central basis.

Total assets allocated to reportable segments are those financial instruments presented in the audited consolidated statement of financial position by segment, and the Group's other assets, receivables, liabilities and cash are not considered to be segment assets or liabilities and are managed centrally by the Administrator. Hedging gains and losses are attributable to hedging activities of the Group and managed on a central basis by the Investment Advisor and Administrator and the Group's management and performance fees paid are not considered to be segment expenses.

The segment information provided by the Investment Advisor with respect to reportable segments for the period is as follows:

In thousands of EUR	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Private equity		
Interest & dividend income	5'979	842
Revaluation	97'171	100'218
Net foreign exchange gains / (losses)	4'720	21'323

In thousands of EUR	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Total net income private equity	**107'870**	**122'383**
Segment result private equity	**107'870**	**122'383**
Private debt		
Interest income (including PIK)	2'120	1'924
Revaluation	1'731	4'810
Net foreign exchange gains / (losses)	685	5'247
Total net income private debt	**4'536**	**11'981**
Segment result private debt	**4'536**	**11'981**
Private real estate		
Revaluation	22	781
Net foreign exchange gains / (losses)	5	21
Total net income private real estate	**27**	**802**
Segment result private real estate	**27**	**802**
Private infrastructure		
Revaluation	1'930	3'251
Net foreign exchange gains / (losses)	839	666
Total net income private infrastructure	**2'769**	**3'917**
Segment result private infrastructure	**2'769**	**3'917**
Non attributable		
Interest & dividend income	(37)	41
Net foreign exchange gains / (losses)	41	(689)
Total net income non attributable	**4**	**(648)**
Segment result non attributable	**(24'841)**	**(21'082)**
Other financial activities not allocated	(7'497)	(16'795)
Surplus / (loss) for the financial period	**82'864**	**101'206**

9 Financial assets at fair value through profit or loss

9.1 PRIVATE EQUITY

In thousands of EUR	31.12.2016	31.12.2015
Balance at beginning of period	512'404	406'628
Purchase of Direct and Indirect Investments	65'226	81'851
Distributions from and proceeds from sales of Direct and Indirect Investments	(140'147)	(97'616)
Revaluation	97'171	100'218
Foreign exchange gains / (losses)	4'720	21'323
Balance at end of period	**539'374**	**512'404**

The movement in unrealized gains/losses on financial assets at fair value through profit or loss still held at the end of the reporting period amounts to EUR 52'524'968 (2015: EUR 100'382'483).

The balance at the beginning of the period includes investments classified as level 1 in accordance with IFRS 13 with a fair value of EUR 12'118'535 (2015: EUR 1'964'734). The balance at the end of the period includes investments classified as level 1 in accordance with IFRS 13 with a fair value of EUR 51'220'256 (2015: EUR 12'118'535). During the reporting period, EUR 39'492'794 were transferred out of level 3 into level 1 (2015: EUR 10'877'097).

9.2 PRIVATE DEBT

In thousands of EUR	31.12.2016	31.12.2015
Balance at beginning of period	72'376	74'954
Purchase of Direct and Indirect Investments	29'600	(132)
Distributions from and proceeds from sales of Direct and Indirect Investments	(16'538)	(13'381)
Reclassification of investments	(5'108)	-
Accrued cash and PIK interest	535	1'307
Interest received	(5'087)	(429)
Revaluation	1'731	4'810
Foreign exchange gains / (losses)	685	5'247
Balance at end of period	**78'194**	**72'376**

The movement in unrealized gains/losses on financial assets at fair value through profit or loss still held at the end of the reporting period amounts to EUR 1'955'331 (2015: EUR -2'799'542).

Based on a reassessment of the classification criteria for one investment, an amount of EUR 5'107'653 was reclassified from Private debt to Private infrastructure during the reporting period (2015: EUR nil).

9.3 PRIVATE REAL ESTATE

In thousands of EUR	31.12.2016	31.12.2015
Balance at beginning of period	14'064	15'862
Purchase of Direct and Indirect Investments	(221)	169
Distributions from and proceeds from sales of Direct and Indirect Investments	(2'473)	(2'769)
Revaluation	22	781
Foreign exchange gains / (losses)	5	21
Balance at end of period	**11'397**	**14'064**

The movement in unrealized gains/losses on financial assets at fair value through profit or loss still held at the end of the reporting period amounts to EUR 26'753 (2015: EUR 413'556).

9.4 PRIVATE INFRASTRUCTURE

In thousands of EUR	31.12.2016	31.12.2015
Balance at beginning of period	15'765	12'436

In thousands of EUR	31.12.2016	31.12.2015
Purchase of Direct and Indirect Investments	5	98
Distributions from and proceeds from sales of Direct and Indirect Investments	(1'800)	(686)
Reclassification of investments	5'108	-
Revaluation	1'930	3'251
Foreign exchange gains / (losses)	839	666
Balance at end of period	**21'847**	**15'765**

The movement in unrealized gains/losses on financial assets at fair value through profit or loss still held at the end of the reporting period amounts to EUR 6'181'781 (2015: EUR 3'915'671).

Based on a reassessment of the classification criteria for one investment, an amount of EUR 5'107'653 was reclassified from Private debt to Private infrastructure during the reporting period (2015: EUR nil).

10 Foreign exchange forward / option contracts

In thousands of EUR	31.12.2016	31.12.2015
Foreign exchange forward contracts		
Unrealized gains / (losses)	(4'143)	7'095
Realized gains / (losses)	(2'198)	(24'323)
Total gains / (losses) from forward contracts	**(6'341)**	**(17'228)**

All contracts captured in the table below may be settled on a gross basis.

Open foreign exchange forward/option contracts	Volume of currency sold (in thousands)	Volume of currency bought (in thousands)	Value date	Fair value at (in thousands of EUR)
As at 31.12.2016				
Foreign exchange forward contract	USD 151'000	EUR 141'194	23.03.2017	(2'843)
As at 31.12.2015				
Foreign exchange forward contract	USD 60'000	EUR 56'177	18.02.2016	970
Foreign exchange forward contract	USD 56'000	EUR 52'384	18.02.2016	858
Foreign exchange forward contract	USD 41'000	EUR 37'195	17.03.2016	(528)

11 Cash and cash equivalents

In thousands of EUR	31.12.2016	31.12.2015
Cash at banks	65'751	29'747
Cash equivalents	-	30'019
Total cash and cash equivalents	**65'751**	**59'766**

12 Share capital, Treasury shares and Reserves

12.1 CAPITAL

In thousands of EUR	31.12.2016	31.12.2015
Issued and fully paid		
69'151'168 Ordinary shares of EUR 0.001 each out of the bond conversion	69	69
Total issued and fully paid shares	**69**	**69**

The total authorized shares consists of 200'100'000 Ordinary shares of EUR 0.001 each (total value EUR 200'100).

During the reporting period, the Company has not purchased or cancelled any of its own shares (2015: nil).

12.2 RESERVES

In thousands of EUR	31.12.2016	31.12.2015
Distributable reserves		
Distributable reserves at beginning of reporting period	486'098	523'440
Dividend payment	(37'342)	(37'342)
Total distributable reserves at end of reporting period	**448'756**	**486'098**

At the annual general meeting held in May 2016, the shareholders renewed the authority granted to the Directors to purchase up to 14.99 per cent of the issued share capital of the Company. During the reporting period the Company did not buy back shares. As disclosed in the table above, no shares were cancelled during the reporting period and no shares were held as treasury shares at the end of the reporting period.

13 Commitments to Direct and Indirect Investments

In thousands of EUR	31.12.2016	31.12.2015
Unfunded commitments translated at the rate prevailing at end of period	103'263	131'804

14 Short-term credit facilities

On 14 December 2016, the Company renewed a multi-currency revolving credit facility with an international financial institution for EUR 50'000'000, which ends on 14 December 2020.

Interest on principal drawn is calculated at a margin of 2.95% to 3.25% per annum above the applicable LIBOR rate or, in relation to any loan in EUR, the applicable EURIBOR rate. A commitment fee of 0.90% per annum is charged on the daily undrawn facility commitment. In addition, an arrangement fee of EUR 425’000 is payable upon closing and a monitoring fee of EUR 25'000 payable annually.

The facility, in relation to the Company, is secured, inter alia, by way of a pledge over the shares in Princess Private Equity Subholding Limited, a wholly owned subsidiary of the Company and a pledge over the bank accounts and the inter-company loans within the Group.

The Company must maintain a total net asset value of at least EUR 350'000'000 and a total asset ratio (total debt plus current liabilities as a percentage of restricted net asset value, as defined in the credit facility agreement) not greater than 25%.

As at the end of the reporting period, no event of default has occured.

In thousands of EUR	31.12.2016	31.12.2015
Short term credit facility		
Balance at beginning of period	-	-
Increase during period	-	32'000
(Decrease) during period	-	(32'000)
Balance at end of period	**-**	**-**

15 Incentive fees

In thousands of EUR	31.12.2016	31.12.2015
Balance at beginning of period	18'447	11'406
Change in incentive fees attributable to Investment Manager	13'236	11'913
Incentive fees paid/payable	(12'235)	(4'872)
Balance at end of period	**19'448**	**18'447**
Incentive fees accrued	33'294	27'034
Incentive fees rebates accrued	(13'846)	(8'587)
Total net incentive fees	**19'448**	**18'447**

The incentive fee balance as at the end of each period presented above represents a net amount which consists of incentive fees accrued and incentive fee rebates accrued. Both net incentive fee balance, as well as gross incentive fees accrued and incentive fee rebates accrued as at the end of each period are presented separately.

16 Earnings per share and net assets per share

Basic earnings per share are calculated by dividing the surplus or loss for the financial period attributable to the shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares, if any. There were no dilutive effects on the Company's shares during 2016 and 2015.

The net asset value per share is calculated by dividing the net assets in the audited consolidated statement of financial position by the number of shares outstanding at the end of the reporting period.

In thousands of EUR	31.12.2016	31.12.2015
Net assets of the Group	702'908	657'386
Outstanding shares at the end of the reporting period	69'151'168.00	69'151'168.00
Net assets per share at period-end	**10.16**	**9.51**

17 Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as foreign currency exchange forward or option contracts to hedge certain exposures.

17.1 FOREIGN CURRENCY EXCHANGE RISK

The Group holds assets and liabilities denominated in currencies other than its Functional Currency. The value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The main currency risk for the Group results from assets and liabilities held in other currencies where a change of exchange rates can have a material impact on the value of assets and liabilities. The Investment Manager's hedging committee meets on a quarterly basis to review the foreign currency exchange rate risk and decides on the use of derivative financial instruments such as foreign currency exchange forward and option contracts to hedge certain exposures at its discretion. Furthermore, the Investment Advisor's risk management committee reviews the foreign currency exchange risk on a monthly basis and proposes changes to the actual hedging positions if necessary.

The annual volatility uses cross-currency rates from 1 January 2001 to the respective period end and based on the assumption that the non-Functional Currency fluctuates by the annual volatility, shows below the amount by which the value of those applicable net assets and the corresponding results would fluctuate either higher or lower. The foreign currency exposures below are presented net of any foreign currency hedging instruments outstanding as at the end of the respective period.

The Group has used the volatility analysis since 1 January 2001 as this provides an analysis of long term trends.

In thousands of EUR	**31.12.2016**	**31.12.2015**
Net assets denominated in AUD	93	84
Net assets denominated in CHF	35'041	25'929
Net assets denominated in GBP	12'675	13'370
Net assets denominated in SEK	659	689
Net assets denominated in USD	111'837	110'637
Net assets denominated in NOK	7	6'620
Applicable annual volatility AUD	9.35%	9.52%
Applicable annual volatility CHF	6.74%	6.88%
Applicable annual volatility GBP	8.25%	7.96%
Applicable annual volatility SEK	5.62%	5.68%
Applicable annual volatility USD	10.19%	10.37%
Applicable annual volatility NOK	7.05%	7.16%
Fluctuation of net assets and corresponding results depending on above mentioned volatility	**14'850**	**14'842**

17.2 INTEREST RATE RISK

The Group may invest in interest-bearing mezzanine and senior debt investments that are exposed to cash flow interest rate risk due to changes in market interest rates. The interest on mezzanine and senior debt investments is partially based on LIBOR and EURIBOR rates. A decrease in the market interest rates can lead to a decrease in interest income of the Group. The overall interest rate risk is considered to be limited as only a small part of the portfolio depends on variable interest rates.

Cash and cash equivalents are only short-term and therefore interest rate exposure is limited. At 31 December 2016 there were no term deposits (2015: nil).

As part of the Investment Manager's continuous monitoring of liquidity it analyses the interest rates quoted against the general market to ensure that these are competitive and takes action as appropriate.

Other than as stated herein, the income and operating cash flows are substantially independent from changes in market interest rates.

A change of 25 basis points in interest rates at the reporting date would have resulted in either an increase or a (decrease) in surplus or loss by the amounts stated below. This analysis assumes that all other variables in particular foreign currency rates remain constant and is performed on the same basis for the previous reporting period.

The table 'Variable Rate Instruments' presents the exposure of the Group to variable rate instruments at the end of each period presented. The tables 'Sensitivity Analysis Reporting Period' and 'Sensitivity Analysis Previous Reporting Period' present the sensitivity of the Group's variable rate instruments to movement in interest rates as at the end of each period, respectively.

17.3 VARIABLE RATE INSTRUMENTS

In thousands of EUR	**31.12.2016**	**31.12.2015**
Mezzanine and senior debt instruments	29'346	29'756
Cash and cash equivalents	65'751	29'747
Total variable rate instruments	**95'097**	**59'503**

17.4 SENSITIVITY ANALYSIS REPORTING PERIOD

In thousands of EUR	**25bp increase**	**25bp decrease**
Impact on variable rate instruments	238	(238)

17.5 SENSITIVITY ANALYSIS PREVIOUS REPORTING PERIOD

In thousands of EUR	**25bp increase**	**25bp decrease**
Impact on variable rate instruments	149	(149)

17.6 CREDIT RISK

Whilst the Group intends to diversify its portfolio of investments, the Group's investment activities may result in credit risk relating to investments in which the Group has direct or indirect (through underlying investments and investments in subsidiaries) exposure. A negative credit development or a default of an investment in which the Group has direct or indirect exposure will lead to a lower net asset value and to lower dividend and interest income from assets within the private debt operating segment or where the Group holds a direct interest.

It is expected that investments will include those made in private debt funds. Many of the private debt funds may be wholly unregulated investment vehicles. In addition, certain of the private debt funds may have limited or no operational history and have no proven track record in achieving their stated investment objective. The investment risk is managed by an investment strategy that diversifies the investments in terms of geography, financing stage, industry or time.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions with a minimal rating of P-1 (Moody's). The Investment Manager ensures that surplus cash is invested in temporary investments. In addition, where the Group holds significant amounts of cash the Investment Manager may seek to diversify this exposure across multiple financial institutions.

In addition Partners Group AG regularly conducts a concentration risk analysis on the underlying investments and has concluded that no action needs to be taken.

The Group may also invest in mezzanine and senior debt facilities of alternative investment backed underlying investments. These underlying investments' financial performance is monitored on a monthly basis and classified by an internal rating system, which consists of five categories; too early, with issues, on plan, above plan and outperformer. When assessing the investment the Investment Manager takes into account a number of factors including the financial position and actual versus expected performance. The term "too early" is used during the period just after the initial investment when there is insufficient information to assess the actual performance of the underlying investment. If an underlying investment's performance is classified as "with issues", the mezzanine or senior debt facility will be closely and regularly monitored by Partners Group AG with regular communications being held with the manager of the underlying investment so that the actual value can be assessed and, if necessary, written down. The amount of any unrealized loss is disclosed herein and the change of credit quality, if any, is reflected in the fair value of the instrument.

The Group provides mezzanine and senior debt facilities to private companies which are represented as debt instruments. No collateral is received from the underlying companies. The credit quality of these investments is based on the financial performance of the individual portfolio company. For those assets that are not past due, it is believed that the risk of default is small and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions were renegotiated during the reporting period.

As part of the quarterly fair value assessment Partners Group AG takes into consideration any breaches in covenants and any changes in general market conditions.

As at 31 December 2016, and excluding the effect of foreign currency exchange rates, the Group has not incurred unrealized losses on mezzanine or senior debt investments (2015: EUR 4'266'028).

The Group has no significant concentration of credit risk other than as detailed herein.

The table 'Rating of Mezzanine and Senior Debt Investments' presents the classification of the Group's mezzanine and senior debt investments in the categories described above at the end of each reporting period presented. The tables 'Duration of Credit Risk Reporting Period' and 'Duration of Credit Risk Previous Reporting Period' present the duration of credit risk of the Group as at the end of each period, respectively.

17.7 RATING OF MEZZANINE AND SENIOR DEBT INVESTMENTS

In thousands of EUR	**31.12.2016**	**31.12.2015**
Too early	18'451	-
On plan	10'505	29'756
Above plan	390	-
Total	**29'346**	**29'756**

17.8 DURATION OF CREDIT RISK REPORTING PERIOD

In thousands of EUR	Not past due	Past due less than 1 year	Past due more than 1 year
Cash and cash equivalents	65'751	-	-
Other short-term receivables	10'026	-	-
Other long-term receivables	3'009	-	-
Mezzanine and senior debt instruments	29'346	-	-

As at the end of the reporting period, the Group held cash and cash equivalents of EUR 65'750'622 (2015: EUR 29'747'230) with an international Swiss based banking group which at that date had a rating of A1 (Moody's), and nil (2015: nil) with a Swiss based bank which at that date had a rating of Aaa (Moody's). Further cash and cash equivalents at the end of the reporting period of EUR nil were held as fixed deposits at a United States of America based bank which at that date had a rating of Baa1 (Moody's) (2015: EUR 30'018'612 were held as fixed deposit at a Swiss based bank which at that date had a rating of Aaa (Moody's)). As at the end of the reporting period, the Group has no deferred receivables on investments (2015: nil).

17.9 DURATION OF CREDIT RISK PREVIOUS REPORTING PERIOD

In thousands of EUR	Not past due	Past due less than 1 year	Past due more than 1 year
Cash and cash equivalents	59'766	-	-
Other short-term receivables	1'477	-	-
Other long-term receivables	2'935	-	-
Mezzanine and senior debt instruments	29'756	-	-

17.10 LIQUIDITY RISK

Liquidity risk arises where the Group may not be able to meet the obligations as and when these fall due for settlement.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

As the unfunded commitments can be drawn at any time, the Group's over-commitment strategy could result in periods in which the Group has inadequate liquidity to fund its investments or to pay other amounts payable by the Group. The liquidity risk arising from the over-commitment strategy is managed through the use of quantitative models by the Investment Advisor's internal risk committee on a quarterly basis. If the risk committee concludes that there is a risk of insufficient liquidity to fund investments, actions are taken into consideration such as entering into a credit facility, reducing the amount of listed private equity, if any, or the selling of investments on the secondary market.

The Group's financial instruments include investments in unlisted securities, which are not traded in an organized public market and may generally be illiquid. As a result, the Group may not be able to quickly liquidate its investments in these instruments at an amount close to fair value in order to respond to its liquidity requirements or to specific events such as deterioration in their creditworthiness.

The table 'Overcommitment Strategy' presents the Group's exposure at the end of each period presented. The tables 'Liquidity Risk Reporting Period' and 'Liquidity Risk Previous Reporting Period' present the maturity bands of the Group's assets and liabilities at the end of each period, respectively.

17.11 OVERCOMMITMENT STRATEGY

In thousands of EUR	31.12.2016	31.12.2015
Unfunded commitments to Direct and Indirect Investments	(103'263)	(131'804)
Liabilities falling due within one year	(23'847)	(22'701)
Hedging liabilities	(2'843)	-
Hedging assets	-	1'300
Current assets	75'777	61'243
Other long-term receivables	3'009	2'935
Total	**(51'167)**	**(89'027)**

17.12 LIQUIDITY RISK REPORTING PERIOD

In thousands of EUR	Less than 3 months	3 to 12 months	More than 12 months
Unfunded commitments to Direct and Indirect Investments	(103'263)	-	-
Liabilities falling due within one year	(23'847)	-	-
Hedging liabilities	(2'843)	-	-
Current assets	75'777	-	-
Other long-term receivables	-	-	3'009
Undrawn credit facility	50'000	-	-
Total	**(4'176)**	**-**	**3'009**

17.13 LIQUIDITY RISK PREVIOUS REPORTING PERIOD

In thousands of EUR	Less than 3 months	3 to 12 months	More than 12 months
Unfunded commitments to Direct and Indirect Investments	(131'804)	-	-
Liabilities falling due within one year	(22'701)	-	-
Hedging assets	1'300	-	-
Current assets	61'243	-	-
Other long-term receivables	-	-	2'935
Undrawn credit facility	50'000	-	-
Total	**(41'962)**	**-**	**2'935**

17.14 CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base so as to retain investor, creditor and market confidence with regards to the investment objectives of the Group. The Group's capital is represented by the Equity of the Company. The Board of Directors also monitors and manages where appropriate the level of discount between the market price of its equity and the Group's net asset value per share in open market transactions.

As a result of the outstanding credit facility agreement, the Group is required to meet certain covenants as described in the Short-term credit facilities note. The Group monitors compliance with these externally imposed restrictions and during the reporting period and the previous reporting period there were no breaches with respect to these covenants.

17.15 MARKET PRICE RISK

Financial assets at fair value through profit or loss held directly or indirectly bear a risk of loss of capital. The Investment Manager moderates this through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis by the Investment Manager and are reviewed on a quarterly basis by the Board of Directors. The Group checks its performance against the Cambridge Associates' Private Equity Performance Index (that is calculated based on quarterly cash flows from the Europe all private equity data in Euros and the United States all private equity data in US dollars that have both been given equal weighting) which it uses as its primary benchmark, given the current weighting of the portfolio. The Group checks on a regular basis the weightings of the index, its composition, price development and volatility.

The annual volatility of the benchmark is shown for the period from 1 January 2001 to the relevant period end by using the quarterly data. Under the assumption that financial assets at fair value through profit or loss fluctuate with the annual volatility the value and the result of such assets, if any, would be impacted by the values shown which could be either higher or lower.

17.16 MARKET PRICE RISK

In thousands of EUR	**31.12.2016**	**31.12.2015**
Financial assets at fair value through profit or loss	650'812	614'609
Total assets subject to market risk	**650'812**	**614'609**
Annual expected volatility	10.16%	10.49%
Potential impact on audited consolidated financial statements	**66'123**	**64'472**

17.17 OFFSETTING FINANCIAL INSTRUMENTS

As at 31 December 2016 and 2015 the Group was subject to master netting arrangements (typically one per counterparty) with one or more derivative counterparties as specified in the tables below. All of the derivative assets and liabilities of the Group are held with these counterparties. No margin balance is maintained by the Group for the purpose of providing collateral on derivative positions. The following tables present the Group's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

Amounts in "D" below relate to amounts subject to set-off that do not qualify for offsetting under "B" below. This includes amounts which are subject to set-off against the financial asset or financial liability disclosed in "A" which have not been offset in the audited consolidated statement of financial position.

The Group and its counterparties have elected to generally settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in an early termination event as defined in the relevant master netting agreement. Per the terms of the master netting agreements, an early termination event includes the following:

- Failure by a party to make payment when due;
- Failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 20 business days after such failure;
- Bankruptcy of a party.

17.18 OFFSETTING REPORTING PERIOD

Financial liabilities subject offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C=A-B	D		E=C-D
31.12.2016	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set-off in the audited consolidated statement of financial position	Net amounts of financial liabilites presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position		Net amount
Credit Facility Drawn				Financial Instruments	Cash/(Bank Overdrafts)	
Counterparty D	2'843	-	2'843	-	2'843	-

17.19 OFFSETTING PREVIOUS REPORTING PERIOD

Financial liabilities subject offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C=A-B	D		E=C-D
31.12.2015	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set-off in the audited consolidated statement of financial position	Net amounts of financial liabilites presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position		Net amount
Derivative Liabilities				Financial Instruments	Cash/(Bank Overdrafts)	
Counterparty A	528	-	528	-	-	528

Financial assets subject offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C=A-B	D		E=C-D
31.12.2015	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set-off in the audited consolidated statement of financial position	Net amounts of financial assets presented in the audited consolidated statement of financial position	Related amounts not set-off in the audited consolidated statement of financial position		Net amount
Derivative Assets				Financial Instruments	Cash/(Bank Overdrafts)	
Counterparty B	970	-	970	-	-	970
Counterparty C	858	-	858	-	-	858

17.20 STRUCTURED ENTITIES

IFRS 12 - Disclosure of interests in other entities requires the Group to disclose details regarding structured entities invested into by the Group. A structured entity in accordance with IFRS 12 is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- Restricted activities.
- A narrow and well-defined objective, such as to provide a source of capital for funding to an entity or provide investment opportunities to investors by passing on risks and rewards associated with the assets of the structured entity to investors.
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

All Indirect Investments held by the Group are considered by the Directors of the Company to be structured entities as determined by IFRS 12. Income generated from such Indirect Investments is accounted for within the line item Revaluation in the audited consolidated statement of comprehensive income. The tables 'Structured Entities Reporting Period' and 'Structured Entities Previous Reporting Period' below disclose the risk concentration with respect to geographic region and investment strategy of the underlying Indirect Investments. The net asset values of each line represent the fair value of the respective Indirect Investments as well as the maximum exposure to loss resulting from such investments. Such Indirect Investments are included within the line item financial assets at fair value through profit or loss in the audited consolidated statement of financial position.

17.21 STRUCTURED ENTITIES REPORTING PERIOD

NAV in thousands of EUR	**31.12.2016**
Region & Strategy	
North America	
Buyout	62'952
Special situations	215'559
Venture capital	9'617
Western Europe	
Buyout	108'524
Real estate	11'397
Special situations	6'861
Venture capital	22'274
Rest of World	
Buyout	25'351
Venture capital	15'419

17.22 STRUCTURED ENTITIES PREVIOUS REPORTING PERIOD

NAV in thousands of EUR	31.12.2015
Region & Strategy	
North America	
Buyout	51'621
Special situations	211'067
Venture capital	16'199
Western Europe	
Buyout	113'500
Real estate	14'064
Special situations	8'589
Venture capital	14'663
Rest of World	
Buyout	26'639
Venture capital	13'806

18 Fair value measurement

IFRS 13 - Fair value measurement requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as observable prices or firm broker quotes) or indirectly (that is, derived from observable prices including discount adjustments to quoted prices in the case of regulatory restrictions to sell such securities) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. For this purpose the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination to what constitutes "observable" requires significant judgment by the responsible entity. The responsible entity considers the observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below analyze within the fair value hierarchy the Group's financial assets measured at fair value at the end of the respective period.

In the event that the Group holds any quoted investments including any shares received as a result of an IPO or listed private market investments these are valued based on quoted market prices in active markets and therefore classified in level 1.

The Directors have assessed that any derivatives used for hedging and short-term investments valued based on market dealer quotes, can be redeemed at the value stated and are therefore classified in level 2.

Level 3 comprises unquoted investments where the Investment Manager reviews the latest information provided by underlying investments and other business partners, which may not coincide with the reporting date of the Group or the valuation date of the investments, and applies widely recognized valuation methods to value such investments as detailed in the note on critical accounting estimates and judgments.

The reconciliation of each class of financial instrument designated as level 3 is presented in the note on financial assets at fair value through profit or loss.

The tables 'Fair Value Estimation Reporting Period' and 'Fair Value Estimation Previous Reporting Period' present the Group's classification of investments in each of the three levels as described above.

18.1 FAIR VALUE ESTIMATION REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss - equity securities	51'220	-	521'398	572'618
Financial assets at fair value through profit or loss - debt investments	-	-	78'194	78'194
Total assets	**51'220**	**-**	**599'592**	**650'812**
Liabilities				
Derivatives used for hedging	-	(2'843)	-	(2'843)
Total liabilities	**-**	**(2'843)**	**-**	**(2'843)**

The Directors of the Company have determined that any of the Group's transfers between levels 1, 2 and 3 are deemed to have happened at the end of the respective reporting period.

18.2 FAIR VALUE ESTIMATION PREVIOUS REPORTING PERIOD

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
Assets				
Derivatives used for hedging	-	1'300	-	1'300
Financial assets at fair value through profit or loss - equity securities	12'119	-	530'114	542'233
Financial assets at fair value through profit or loss - debt investments	-	-	72'376	72'376
Total assets	**12'119**	**1'300**	**602'490**	**615'909**
Liabilities				
Total liabilities	**-**	**-**	**-**	**-**

18.3 FINANCIAL STATEMENT LINE ITEMS NOT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

All assets and liabilities presented in the audited consolidated statement of financial position, except for those presented in the tables above, are presented at either amortized cost or their face value, both of which are deemed to be a reasonable approximation of their fair values.

- Cash and cash equivalents as well as bank overdrafts are measured at values that would be reflective of level 1 prices in accordance with the fair value hierarchy presented above. These include cash in hand, deposits held with banks, other short-term investments in active markets and bank overdrafts.
- Other receivables are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above. These include contractual amounts for settlement of trades and other obligations due to the Group.
- Accruals and other short-term payables represent the contractual amounts and obligations due by the Group for settlement of trades and expenses and are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above, except for incentive fee accruals due by the Group which are reflective of level 3 prices in accordance with such hierarchy.
- Deferred payments and deferred receivables are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above. These consist of payments for financial assets purchased and receivables for financial assets sold for which it was agreed with the contractual counterparty to defer one or more payment installments.
- Borrowings include credit facilities and loan granted to the Group and are measured at values that would be reflective of level 2 prices in accordance with the fair value hierarchy presented above.
- Other long-term receivables are measured at values that would be reflective of level 3 prices in accordance with the fair value hierarchy presented above. They include amounts received in the form of distributions from underlying investments that are held through special purpose vehicles that could be subject to corporate taxation in jurisdictions different to that of the Group.
- Equity is a residual amount calculated by subtracting the total liabilities of the Group from the total assets of the Group. As the lowest level of input that is significant to the fair value measurement of the inputs into this equation is level 3 in accordance with the fair value hierarchy presented above, the values at which equity is measured would be reflective of level 3 prices in accordance with such hierarchy.

18.4 SIGNIFICANT UNOBSERVABLE VALUATION INPUTS

Level 3 investments may consist of Direct and Indirect equity and debt Investments. Level 3 Indirect Investments are generally valued at the Indirect Investments' net asset values last reported by the Indirect Investments' governing bodies. When the reporting date of such net asset values does not coincide with the Group's reporting date, the net asset values are adjusted as a result of cash flows to/from an Indirect Investment between the most recently available net asset value reported, and the end of the reporting period of the Group. The valuation may also be adjusted for further information gathered by the Investment Advisor during its ongoing investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by Indirect Investments, syndicated transactions which involve such companies and the application of reporting standards by Indirect Investments which do not apply the principle of fair valuation.

The main inputs into the Group's valuation models for Direct equity and debt Investments include: EBITDA multiples (based on budgeted/forward looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for the equivalent period), discount rates, capitalization rates, price to book as well as price to earnings ratios and enterprise value to sales multiples. The Group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes.

In order to assess level 3 valuations in accordance with the Investment Management Agreement, the Investment Advisor reviews the performance of the Direct and Indirect Investments held on a regular basis. The valuations are reviewed on an ongoing basis by the Investment Advisor's investment committee who report to the Investment Manager. The investment committee considers the appropriateness of the valuation model inputs as well as the valuation result using various valuation methods and techniques generally recognized within the industry. From time to time the Group may consider it appropriate to change the valuation model or technique used in the fair valuation depending on the individual investment circumstances, such as its maturity, stage of operations or recent transaction.

The Group utilizes comparable trading multiples in arriving at the valuation for the Direct Investments. Comparable companies multiple techniques assume that the valuation of unquoted Direct Investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. The Investment Advisor determines comparable public companies based on industry, size, development stage, strategy, etc. Subsequently the most appropriate performance measure for determining the valuation of the relevant Direct Investment is selected (these include but are not limited to EBITDA, price/earnings ratio for earnings or price/book ratio for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued Direct Investment and the comparable company set. The indicated fair value of the Direct Investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

When applying the discounted cash flow method, the Investment Advisor discounts the expected cash flow amounts to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the Direct Investment. Direct Investments can be valued by using the 'cash flow to investor' method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the 'free cash flow to company' method and subsequently subtracting the Direct Investment's net debt in order to determine the equity value of the relevant Direct Investment. The Investment Advisor determines the expected future cash flows based on agreed investment terms or expected growth rates. In addition and based on the current market environment an expected return of the respective Direct Investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

If broker quotes are available, Direct debt Investments are valued by the Investment Advisor utilizing such quotes, which are provided by an independent third party broker. Broker quotes are applied to the nominal value of such Direct debt Investments. Broker quotes utilized for valuing Direct debt Investments represent indicative quotes for investments traded in an inactive market.

The Group utilizes the sales comparison method in arriving at the valuation for Direct real estate Investments. The sales comparison method compares a Direct real estate Investment's characteristics with those of comparable properties which have recently been traded in the market. The Investment Advisor determines comparable assets based on, but not limited to, size, location, development stage and property type. Furthermore the most appropriate measure for determining the valuation of the relevant Direct real estate Investment is selected (amongst others price per room, price per square foot, price per square meter). The comparable price per unit might be subject to adjustment for general qualitative differences which include, but are not limited to, quality of property and access to public transportation. The indicated fair value of the Direct real estate Investment is determined by applying the relevant price per unit to the respective Direct real estate Investment. The sales comparison method is most appropriate for Direct real estate Investments where the investment's size (e.g. number of rooms, square feet, square meters or other square measures) is known and similar properties have recently traded in the market.

When applying the income method the Investment Advisor compares a Direct real estate Investment's net operating income to capitalization rates recently observed in the market to determine the present value. The Investment Advisor determines comparable assets based on, but not limited to, size, development stage and property type. The capitalization rates from recent sales of comparable properties might be subject to adjustment for general qualitative differences which include, but are not limited to, quality of property, tenant mix and access to public transportation. The indicated fair value of the Direct real estate Investment is determined by applying the relevant capitalization rate to the Direct real estate Investment's net operating income. The income method is most appropriate for income generating Direct real estate Investments where the net operating income is known and similar properties have recently traded in the market.

The values of Level 3 Direct equity Investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 Direct equity Investments may vary between different Direct Investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 Direct debt Investments are generally valued using a waterfall approach including different seniority levels of debt. Thus the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation. No interrelationship between unobservable inputs used in the Group's valuation of its level 3 investments has been identified.

The tables below present the investments whose fair values are recognized in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more of those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

If presented, the category "Direct Investments" in the tables below may include certain Indirect Investments where the Investment Advisor has full visibility of the underlying portfolio and hence performs a full valuation on such investments as if they were Direct Investments. If presented, the category "Direct Investments" in the tables below may include certain investments using the valuation technique "Reported fair value". Such Direct Investments invest solely into underlying Indirect Investments, hence their fair value is based on reported fair value rather than a Direct Investment valuation.

The sensitivity analysis below represents the potential change in fair value for each category of investments presented in absolute values. Should the significant unobservable input for each category of investments increase or decrease by 5%, the value of each category of investments would follow by the absolute positive or negative amount respectively.

With regards to Direct debt Investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for Direct equity Investments would not result in a meaningful disclosure with added value for the reader of these audited consolidated financial statements. The reasons for this include, but are not limited to, the fact that the income generated from Direct debt Investments is linked to a reference rate such as LIBOR or EURIBOR (hence eliminating potential valuation changes resulting from fluctuation in interest rates) and the fact that Direct debt Investments are valued using a waterfall approach as described above. The credit risk resulting from investing into a Direct debt Investment is assessed by performing an enterprise valuation of the issuer's company. Provided that the results of such a valuation provides sufficient evidence that the equity of such a company still has a positive value, there is no indication that the Group as a lender would not be able to recover the full amount initially invested, plus any accrued cash and/or PIK interest, hence carrying such Direct debt Investment at this value. Should a significant unobservable valuation input into such an enterprise valuation be changed in either direction, the value of a respective Direct debt Investment would not fluctuate proportionately. Any fluctuation in the enterprise value of a lender's company would only have an impact on the value of a Direct debt Investment if the results of such a valuation would provide sufficient evidence that the enterprise value of the company is not sufficient to fully cover the outstanding debt instrument, which the Group is invested in.

With regards to Direct real estate debt Investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for Direct equity Investments would not result in a meaningful disclosure with added value for the reader of these audited consolidated financial statements. The reasons for this conclusion include, but are not limited to the fact that the income generated from Direct real estate Investments is linked to a reference rate such as LIBOR or EURIBOR (hence eliminating potential valuation changes resulting from fluctuation in interest rates) and the fact that Direct real estate Investments are valued using a waterfall approach as described above. The risk resulting from investing into a Direct real estate debt Investment is assessed by evaluating the gross asset value of the property. Provided that the results of such valuation provide sufficient evidence that the gross asset value exceeds the debt balance (i.e. the equity has a positive value), there is no indication that the Group as a lender would not be able to recover the full amount initially invested, plus any accrued cash and/or PIK interest, hence carrying such Direct real estate debt Investments at this value. Should a significant unobservable valuation input into the determination of gross asset value be changed in either direction, the value of a respective Direct real estate debt Investment would not fluctuate proportionately. Any fluctuation in gross asset value of the property would only have an impact on the value of a Direct real estate debt Investment if the results of such a valuation would provide sufficient evidence that the gross asset value of the property is not sufficient to fully cover the outstanding debt instrument, which the Group is invested in. With regards to Direct real estate equity Investments, the Investment Advisor is of the opinion that a sensitivity analysis as performed below for Direct equity Investments would not result in a meaningful disclosure with added value for the reader of these audited consolidated financial statements. The reasons for this conclusion include, but are not limited to, the fact that variations in property location, quality and business plan result in comparisons across properties that are not meaningful. Unobservable inputs for a specific region will vary greatly based on the property's micro location, building finishes and amenities and leasing strategy. One-to-one comparisons are not possible even for buildings that are physically close to each other due to the differences in property features and occupancy.

A sensitivity analysis has not been presented for Direct Investments that have been acquired within the last three months of the reporting period and where the acquisition cost was deemed to be fair value in accordance with IFRS 13 as it is the view of the Investment Advisor that insufficient time has passed to determine a reliable sensitivity range based on valuation inputs that would be considered appropriate by market participants.

18.5 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE REPORTING PERIOD

Type of security	Fair value at 31.12.2016	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
Fair value in thousands of EUR						
Direct Investments						
Direct equity investments	140'170	Market comparable companies	Enterprise value to EBITDA multiple	5.90x - 16.00x (11.66x)	12'755	(12'755)
	284	Exit price	Recent transaction price	n/a	n/a	n/a
	44'983	Recent financing/ transaction	Recent transaction price	n/a	n/a	n/a
Direct debt investments	9'263	Market comparable companies	Enterprise value to EBITDA multiple	5.90x - 13.00x (11.12x)	n/a	n/a
	19'693	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
Indirect Investments						
	383'083	Adjusted reported net asset value	Reported net asset value	n/a	19'154	(19'154)
	2'116	Adjusted reported net asset value	Fair value adjustments	n/a	106	(106)

n/a - not meaningful as outlined in the note above

18.6 SIGNIFICANT UNOBSERVABLE VALUATION INPUT TABLE PREVIOUS REPORTING PERIOD

Type of security	Fair value at 31.12.2015	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity	
Fair value in thousands of EUR						
Direct Investments						
Direct equity Investments	159'865	Market comparable companies	Enterprise value to EBITDA multiple	8.00x - 14.21x (10.80x)	14'030	(14'030)
	8'587	Discounted cash flow	Discount factor	12.00% - 12.00% (12.00%)	97	(97)
	410	Recent financing/transaction	Recent transaction price	n/a	n/a	n/a
Direct debt Investments	19'152	Market comparable companies	Enterprise value to EBITDA multiple	7.50x - 12.40x (9.68x)	n/a	n/a
	6'338	Discounted cash flow	Discount factor	11.00% - 11.00% (11.00%)	n/a	n/a
	4'266	Broker quotes	Indicative quotes for an inactive market	n/a	n/a	n/a
Indirect Investments						
	404'949	Adjusted reported net asset value	Reported net asset value	n/a	20'247	(20'247)
	(1'077)	Adjusted reported net asset value	Fair value adjustments	n/a	(54)	54

n/a - not meaningful as outlined in the note above

19 Dividend and interest income and expense

In thousands of EUR	31.12.2016	31.12.2015
Interest income		
From financial assets at fair value through profit or loss	2'339	2'766
From cash and cash equivalents	(37)	51
From short-term investments	-	(10)
Dividend income		
From financial assets at fair value through profit or loss	5'760	-
Total dividend and interest income	**8'062**	**2'807**
Interest expense		
Interest expense - credit facilities	-	131
Total interest expense	**-**	**131**
Net result from dividends and interest	**8'062**	**2'938**

20 Revaluation and realized gains and (losses)

In thousands of EUR	31.12.2016	31.12.2015
On financial assets at fair value through profit or loss	100'854	109'060
On option and forward hedges	(6'341)	(17'228)
On other long-term receivables	(14)	(9)
Total revaluation and realized gains and (losses)	**94'499**	**91'823**

21 Foreign exchange gains and (losses)

In thousands of EUR	31.12.2016	31.12.2015
On financial assets at fair value through profit or loss	6'249	27'257
On payables and receivables	(59)	4'113
On cash and cash equivalents	41	(689)
Total foreign exchange gains and (losses)	**6'231**	**30'681**

22 Related party transactions and balances

A related party to the Group is an entity which has the ability to directly or indirectly control the Group, or vice versa, or to exercise significant influence over the Group in making financial and operating decisions or is a member of the key management team, including their immediate families, of the Group or its Board of Directors. Entities are also related where they are members of the same group. In this regard the following are considered related parties in the context of these financial statements; Partners Group Holding AG, all entities owned and controlled by Partners Group Holding AG, all entities advised by Partners Group AG, and each of their key management.

The following represents the transactions and balances of the Group with related parties:

22.1 TRANSACTIONS

In thousands of EUR	31.12.2016	31.12.2015
Management fee expenses:		
Princess Management Limited	10'258	10'712
Administration fee expenses:		
Partners Group (Guernsey) Limited	338	314
Service fee expenses:		
Princess Management Limited	250	250
Incentive fee expenses unpaid:		
Princess Management Limited	1'001	7'041
Incentive fee paid:		
Princess Management Limited	12'235	4'872
Reimbursement of fees due to investments:		
From affiliated entities	-	4'932
Other expenses to related parties:		
Partners Group AG	-	18
Directors fee expenses:	**204**	**203**
Contributions and distributions from / (to) Partners Group advised entities (investment side), net.	**42'465**	**34'014**

Commitments made to funds or limited partnerships advised by Partners Group amounted to EUR 24'467'292 (2015: EUR 49'842'649).

22.2 PERIOD-END BALANCES

In thousands of EUR	31.12.2016	31.12.2015
Other short-term receivables:		
Fermaca	-	2'920
Accruals and other short-term payables:		
Princess Management Limited	-	(3'735)
Accrued incentive fee:		
Princess Management Limited	(19'448)	(18'447)
Commitments to Partners Group advised products (investment side)	**568'723**	**490'328**
Fair value of investments advised by Partners Group or related parties	**418'671**	**379'638**

23 Number of employees

As at 31 December 2016 and 2015 no persons were employed by the Group.

24 Pension scheme

The Group does not operate a pension scheme.

25 Group entities - significant subsidiaries

Princess Private Equity Subholding Limited
Incorporated in Guernsey
Ownership interest as at 31 December 2016 and 31 December 2015: 100%
Activity: Investment holding company

Princess Direct Investments, L.P. Inc.
Incorporated in Guernsey
Ownership interest as at 31 December 2016 and 31 December 2015: 100%
Activity: Investment holding company

26 Events after the reporting date

The Board of Directors is of the opinion that no events took place between the end of the reporting period and the date of approval of these consolidated financial statements that would require disclosure in or adjustments to the amounts recognized in these audited consolidated financial statements.

27 Approval of these financial statements

The Directors of the Company approved these consolidated financial statements on 13 March 2017.

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Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PRINCESS PRIVATE EQUITY HOLDING LIMITED

Registered Office
Princess Private Equity Holding Limited
Tudor House
Le Bordage
St. Peter Port
Guernsey, GY1 1BT
Channel Islands
Phone +44 (0)1481 711 690
Facsimile +44 (0)1481 730 947

Email: princess@princess-privateequity.net
Info: www.princess-privateequity.net

Registered number: 35241

Trading Information

Listing	London Stock Exchange
ISIN	GG00B28C2R28
WKN	A0M5MA
Valor	3493187
Trading symbol	PEY
Bloomberg	PEY LN
Reuters	PEY.L
Joint corporate brokers	JPMorgan Cazenove / Numis Securities Limited

Investment Manager
Princess Management Limited
Guernsey, Channel Islands

Investor Relations
George Crowe
Phone: +44 (0)207 575 2771
E-mail: george.crowe@partnersgroup.com

Administrator
Partners Group (Guernsey) Limited
Guernsey, Channel Islands

Independent Auditors
PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey, GY1 4ND
Channel Islands

Investment Advisor
Partners Group AG
Zugerstrasse 57
6341 Baar-Zug
Switzerland

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