Princess

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

When considering what action you should take in relation to this document, we recommend that you consult your stockbroker, bank manager, solicitor, accountant or other financial advisor.

If you have sold or transferred all of your Ordinary Shares in Princess Private Equity Holding Limited, or anticipate such a sale prior to the date of the meeting referred to below, you should hand this document and the documents accompanying it to the purchaser or agent through whom the sale was effected for transmission to the purchaser.

Unless otherwise defined herein, defined terms in the circular have the same meaning given to them in the Prospectus dated 12 October 2007 of Princess Private Equity Holding Limited.

PRINCESS PRIVATE EQUITY HOLDING LIMITED
("the Company")

(A closed-ended investment company incorporated in Guernsey with registered number 35241 under the provisions of The Companies (Guernsey) Law, 1994 as amended)

Notice of Annual General Meeting to consider and if thought fit pass resolutions authorising the following: proposal for approval of the Report of the Directors and the Financial Statements for the year ended 31 December 2007, reappointment of Auditors, election and re-election of Directors, proposal to authorise the Directors to offer holders the right to elect to receive new Ordinary Shares, credited as fully paid up, instead of some or all of the dividends which may be paid or declared by the Company in the period up to and including 15 April 2013, proposal to authorise the Company to purchase its own shares.

YOU ARE REQUESTED TO COMPLETE AND RETURN THE ENCLOSED PROXY FORM IN ACCORDANCE WITH THE INSTRUCTIONS PRINTED ON IT.

Notice to the holders of the Ordinary Shares (the "Shareholders") of the Company of the Annual General Meeting (the "Meeting") is included with this document. The Meeting is to be held at Level Three, Tudor House, Le Bordage, St Peter Port, Guernsey, Channel Islands at 11:30 am on 16 April 2008.

PRINCESS PRIVATE EQUITY HOLDING LIMITED

Directors:
Colin Maltby (Chairman)
Brian Human
Andreas Billmaier
Urs Wietlisbach
Jonathan Hooley

Registered Office:
Tudor House
Le Bordage
St. Peter Port
Guernsey

19 March 2008

Directors' Interests:
Urs Wietlisbach – 170,000 shares deliverable in form of co-ownership interest

To:
The Holders of Ordinary Shares in Princess Private Equity Holding Limited (the "Company")

Dear Shareholder,

Annual General Meeting

It is proposed that the Annual General Meeting of the Company will be held on 16 April 2008 at 11:30am at the registered office of the Company to deal with the following:

1. to approve the Financial Statements of the Company for the year ended 31 December 2007 together with the Report of the Directors and Auditors thereon;

2. to appoint auditors to the Company for the year ending 31 December 2008;

3. to elect Mr Colin Maltby and Mr Jonathan Hooley as Directors of the Company, having been appointed since the previous annual general meeting;

4. to re-elect Mr Urs Wietlisbach as a Director of the Company;

5. to authorise the Directors to offer holders the right to elect to receive new Ordinary Shares, credited as fully paid up, instead of some or all of the dividends which may be paid or declared by the Company in the period up to and including 15 April 2013;

6. to authorise the Company to purchase its own shares.

Directors Report and Financial Statements

The Directors Report and audited Financial Statements for the year ended 31 December 2007 are included with this document.

An ordinary resolution to approve the Directors Report and audited Financial Statements will be proposed at the Meeting.

Appointment of Auditors

The current Auditors of the Company are PricewaterhouseCoopers CI LLP of National Westminster House, St Peter Port, Guernsey ("PwC").

An ordinary resolution to appoint PwC as Auditors of the Company for the year ending 31 December 2008 will be proposed at the Meeting.

Election of Directors

Mr Colin Maltby and Mr Jonathan Hooley were appointed to the Board of Directors on 1 October 2007.

The Board of Directors considers the skills and experience that Mr Maltby brings to the Board as being in the best interests of the Shareholders. Mr Maltby's biography is at Appendix 1. An ordinary resolution will be proposed at the meeting to elect Mr Maltby as a Director of the Company.

The Board of Directors considers the skills and experience that Mr Hooley brings to the Board as being in the best interests of the Shareholders. Mr Hooley's biography is at Appendix 1. An ordinary resolution will be proposed at the meeting to elect Mr Hooley as a Director of the Company.

The Board of Directors considers the skills and experience that Mr Wietlisbach brings to the Board as being in the best interests of the Shareholders. The biography of Mr Wietlisbach is at Appendix 1. An ordinary resolution will be proposed at the meeting to re-elect Mr Wietlisbach as a Director of the Company.

Dividends

An ordinary resolution will be proposed at the Meeting to allow the Company, in accordance with the articles of association to be authorised to offer holders of Ordinary Shares of €0.001 in the capital of the Company ("Ordinary Shares") the right to elect to receive new Ordinary Shares, credited as fully paid up, instead of some or all of the dividends which may be paid or declared by the Company in the period up to and including 15 April 2013.

Authority to Purchase Own Shares

8. At the meeting a special resolution will be proposed to authorise the Company in accordance with section 5 of the Companies (Purchase of Own Shares) Ordinance, 1998 (the "**Ordinance**"), to make market purchases of Ordinary Shares in the Company provided that:
   a) The maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of its Ordinary Shares in issue (or if more than once class of Ordinary Shares is in issue, of each class of Shares) from time to time;
   b) The minimum price payable by the Company for each Ordinary Share is €0.001;
   c) The maximum price which may be paid for a share is an amount equal to 105 per cent. of the average market value of an Ordinary Share for the five business days immediately preceding the day on which Ordinary Shares are contracted to be purchased; and
   d) Such authority to expire on the date of the annual general meeting of the Company in 2009 unless such authority is varied, revoked or renewed prior to such date by a resolution of the Company in a general meeting or the Company has made a contract to purchase its own shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration.

If this resolution is passed the Company will have the authority to purchase its own shares in accordance with the Ordinance and the parameters set out above. However, the Company will not, by virtue of the above resolution, be obliged to purchase its own shares.

The Meeting and Resolutions

The quorum for the Meeting of Shareholders of the Company is two or more Shareholders present in person or proxy. A majority of not less than seventy-five per cent. (75%) of the total number of votes cast is required to pass the Special Resolution. The majority required for the passing of the Ordinary Resolutions is fifty per cent. (50%) or more of the total number of votes cast for and against each resolution.

If, within fifteen minutes from the appointed time for the Meeting, a quorum is not present, then the Meeting will be adjourned until the same time on 23 April 2008 at the same address. At any adjourned Meeting, Shareholders present in person or by proxy will form a quorum whatever their number of Ordinary Shares held by them. Again, at any adjourned Meeting a majority of not less than seventy-five per cent. (75%) of the total number of votes cast is required to pass the Special Resolution. The majority required for the passing of the Ordinary Resolutions is fifty per cent. (50%) or more of the total number of votes cast for and against each resolution.

If the Special Resolution and Ordinary Resolutions are duly passed at the Meeting, and other necessary formalities are completed, this will result in all of the proposed resolutions becoming binding on each Shareholder in the Company whether or not they voted in favour of the resolutions, or voted at all.

Action Required of Shareholders

The registered Shareholder of the Ordinary Shares is required to complete the attached proxy form on behalf of the beneficial owner and ensure they reach the Company's transfer agent, Capita Registrars by no later than 48 hours before the time fixed for the Meeting. Voting may also take place by way of the CREST proxy voting mechanism. Full details in respect of the completion of the proxy form are printed on both the Notice and proxy form included with this document.

If you have any questions regarding the completion of the proxy form, or the contents of this circular please contact Mr Kenneth Ball on + 44 (0) 1481 730946.

When considering what action you should take in connection with this circular, please consult your stockbroker, bank manager, solicitor or other financial adviser.

Finally, I would like to take this opportunity on behalf of the Directors to express our sincere appreciation for the support of our Shareholders.

Yours faithfully

Mr Brian Human
Director

Appendix 1

Colin Maltby (non-executive Chairman) (British, born 1951) is currently an Investment Adviser to the British Coal Staff Superannuation Scheme and to Wolfson College, Oxford. He was Head of Investments at BP from August 2000 to June 2007 and was previously Chief Investment Officer of Equitas Limited from its formation in 1996. His career in investment management began in 1975 with NM Rothschild & Sons and included 15 years with the Kleinwort Benson Group, of which he was a Group Chief Executive at the time of its acquisition by Dresdner Bank AG in 1995. He was Chief Executive of Kleinwort Benson Investment Management from 1988 to 1995. Colin has a Double First Class Honours degree in Physics from Oxford University, and attended the Stanford Graduate School of Business. He was President of the Oxford Union in 1973. He is a Fellow of Wolfson College, Oxford, a Fellow of the Royal Institution of Great Britain, and of the Royal Society of Arts. He was a member of the RSA 'Tomorrow's Company' Inquiry team in 1993-5 and has been an adviser to the Carbon Disclosure Project since 2001. Colin has served as a non-executive Director of various public companies and agencies, and as an adviser to numerous institutional investors, including the investment advisory committees of private equity and venture capital limited partnerships in both Europe and the United States.

Jonathan Hooley (British, born 1955) was until 30 September 2007 senior partner and chairman of KMPG Channel Islands Limited. He is a member of the Institute of Chartered Accountants in England and Wales and of the Chartered Institution of Taxation. He advises the States of Guernsey on its external tax affairs and is the Chairman of the Channel Islands Stock Exchange. He is also a member of the Offshore Advisory Committee of the Association of Investment Companies.

Urs Wietlisbach (Swiss, born 1961) is a Co-founder and Partner of Partners Group Holding and, a member of both the business development committee and private equity investment committee and serves as the firm's executive vice chairman. As Chief Markets Officer, he is responsible for marketing strategy and for the client relationship management. He was initially responsible for the firm's partnership investment activities and instrumental in building Partners Group's private equity fund 58 portfolio and a global industry network. Later, he also focused on business development responsibilities, first in Europe, and subsequently in the US and the Asia-Pacific region. Prior to founding Partners Group Holding, Mr Wietlisbach 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.

NOTICE OF THE ANNUAL GENERAL MEETING OF PRINCESS PRIVATE EQUITY HOLDING LIMITED

NOTICE is hereby given pursuant to the Articles of Association of PRINCESS PRIVATE EQUITY HOLDING LIMITED (the "Company") that the Annual General Meeting of the Company will take place at 11.30 am on Wednesday 16 April 2008 at Third Floor, Tudor House, Le Bordage, St Peter Port, Guernsey for the purpose of considering and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. THAT the Financial Statements of the Company for the year ended 31 December 2007 together with the Report of the Directors and Auditors thereon be received and adopted.

2. THAT the appointment of PricewaterhouseCoopers CI LLP as Auditors of the Company for the year ending 31 December 2008 together with the fixing of their remuneration by the Directors for that period be and is hereby approved.

3. THAT Mr Colin Maltby be elected as a Director of the Company.

4. THAT Mr Jonathan Hooley be elected as a Director of the Company.

5. THAT Mr Urs Wietlisbach be re-elected as a Director of the Company.

6. THAT the Directors of the Company be and they are hereby authorised pursuant to article 28.18 of the articles of association of the Company to offer holders of Ordinary Shares of €0.001 in the capital of the Company ("Ordinary Shares") the right to elect to receive new Ordinary Shares, credited as fully paid up, instead of some or all of the dividends which may be paid or declared by the Company in the period up to and including 15 April 2013 unless such authority is varied, revoked or renewed prior to such date by resolution of the Company in a general meeting.

SPECIAL RESOLUTION

7. THAT the Company be and is hereby authorised in accordance with section 5 of the Companies (Purchase of Own Shares) Ordinance, 1998 (the "**Ordinance**"), to make market purchases of Ordinary Shares in the Company provided that:

   (a) The maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of its Ordinary Shares in issue (or if more than one class of Ordinary Shares is in issue, of each class of Shares) from time to time;

   (b) The minimum price payable by the Company for each Ordinary Share is €0.001;

   (c) The maximum price which may be paid for a share is an amount equal to 105 per cent. of the average market value of an Ordinary Share for the five business days immediately preceding the day on which Ordinary Shares are contracted to be purchased; and

   (d) Such authority shall expire on the date of the annual general meeting of the Company in 2009 unless such authority is varied, revoked or renewed prior to such date by a resolution of the Company in a general meeting or the Company has made a contract to purchase its own shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration.

By Order of the Board
Princess Private Equity Holding Limited
Third Floor
Tudor House
Le Bordage
St Peter Port
Guernsey

14 March 2008

Notes:

1. If you desire someone else to act as your proxy, delete "the Chairman or the representative of the Company Secretary" above and insert the name of the proxy desired. Such proxy need not be a member of the Company.
2. In the case of a corporation this proxy must be executed under Common Seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders the signature of the person whose name stands first in the Register is sufficient.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
5. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. To be effective this Form of Proxy, duly completed together with any Power of Attorney or authority under which it is signed, must be lodged with the Company's transfer agent Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR not less than 48 hours before the time fixed for the AGM.
7. The lodging of a completed Form of Proxy does not preclude a member from attending the AGM and voting.
8. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.
9. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

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FORM OF PROXY

PRINCESS PRIVATE EQUITY HOLDING LIMITED

I/We ....
(please complete in block capitals)

of ....

Being (a) member(s) of Princess Private Equity Holding Limited, and entitled to vote, hereby appoint the Chairman of the Meeting or the representative of the Company Secretary (please delete as appropriate)

or ....

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 11:30 a.m. on Wednesday 16 April 2008 at Third Floor, Tudor House, Le Bordage, St Peter Port, Guernsey and at any adjournment thereof.

Please indicate by placing a cross in the appropriate spaces below how you wish your votes to be cast. Unless otherwise indicated the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.

ORDINARY RESOLUTIONS	**For**	**Against**	**Vote Withheld**
1. THAT the Financial Statements of the Company for the year ended 31 December 2007 together with the Report of the Directors and Auditors thereon be received and adopted.			
2. THAT the appointment of PricewaterhouseCoopers CI LLP as Auditors of the Company for the year ending 31 December 2008 together with the fixing of their remuneration by the Directors for that period be and is hereby approved.			
3. THAT Colin Maltby be elected as a Director.			
4. THAT Mr Jonathan Hooley be elected as a Director.			
5. THAT Mr Urs Wietlisbach be re-elected as a Director.			
6. THAT the Directors of the Company be and they are hereby authorised pursuant to article 28.18 of the articles of association of the Company to offer holders of Ordinary Shares of €0.001 in the capital of the Company ("Ordinary Shares") the right to elect to receive new Ordinary Shares, credited as fully paid up, instead of some or all of the dividends which may be paid or declared by the Company in the period up to and including 15 April 2013 unless such authority is varied, revoked or renewed prior to such date by resolution of the Company in a general meeting.			
SPECIAL RESOLUTION			
7. THAT the Company be and is hereby authorised in accordance with section 5 of the Companies (Purchase of Own Shares) Ordinance, 1998 (the "**Ordinance**"), to make market purchases of Ordinary Shares in the Company provided that: (a) The maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of its Ordinary Shares in issue (or if more than one class of Ordinary Shares is in issue, of each class of Shares) from time to time; (b) The minimum price payable by the Company for each Ordinary Share is €0.001; (c) The maximum price which may be paid for a share is an amount equal to 105 per cent. of the average market value of an Ordinary Share for the five business days immediately preceding the day on which Ordinary Shares are contracted to be purchased; and (d) Such authority shall expire on the date of the annual general meeting of the Company in 2009 unless such authority is varied, revoked or renewed prior to such date by a resolution of the Company in a general meeting or the Company has made a contract to purchase its own shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration.			

Signed this .... day of 2008

(Signature) ....

Please see Notes on completion and submission of this Proxy

Notes:

1. If you desire someone else to act as your proxy, delete "the Chairman or the representative of the Company Secretary" above and insert the name of the proxy desired. Such proxy need not be a member of the Company.
2. In the case of a corporation this proxy must be executed under Common Seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders the signature of the person whose name stands first in the Register is sufficient.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
5. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. To be effective this Form of Proxy, duly completed together with any Power of Attorney or authority under which it is signed, must be lodged with the Company's transfer agent Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR not less than 48 hours before the time fixed for the AGM.
7. The lodging of a completed Form of Proxy does not preclude a member from attending the AGM and voting.
8. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.

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Princess Private Equity Holding Limited

Directors' Report and Consolidated Audited Financial Statements

for the year from 1 January 2007 to 31 December 2007

Contents

Directors:	B. Human	
	A. Billmaier	
	U. Wietlisbach	
	J. Hooley	(appointed 1 October 2007)
	G. Hall	(resigned 1 October 2007)
	C. Maltby	(appointed 1 October 2007)
Secretary:	Dexion Capital (Guernsey) Limited	
Registered Office:	Tudor House St. Peter Port Guernsey GY1 1BT	

Directors' Report

Directors	C. Maltby (Chairman)	(appointed 1 October 2007)
	A. Billmaier	
	J. Hooley	(appointed 1 October 2007)
	B. Human	
	U. Wietlisbach	
	G. Hall	(resigned 1 October 2007)
Secretary:	Dexion Capital (Guernsey) Limited	(appointed 1 October 2007)
	Aon Insurance Managers (Guernsey) Limited	(resigned 1 October 2007)
Registered Office:	Tudor House St. Peter Port Guernsey GY1 1BT	

The directors present their report and consolidated audited financial statements for the year from 1 January 2007 to 31 December 2007.

Incorporation

Princess Private Equity Holding Limited (the "Company") and Princess Private Equity Subholding Limited (the "Subholding" and together with the Company, the "Group") are limited liability companies, 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.
The Investment Manager of the Company is Princess Management Limited and the Investment Advisor is Partners Group. 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 investment.

Under the Company's investment policy, investments may include, inter alia:

- 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.
- 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.
- Listed private equity: interests in vehicles listed on a public stock exchange 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 Princess Management Limited ("the Investment Manager") and Partners Group, a Swiss limited liability company ("the Investment Adviser") 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 income statement.

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

Directors' Report (continued)

- Capital call and distributions
- IRR reports at the underlying fund level
- Unfunded commitments
- Risk management and adherence to investment guidelines
- Corporate governance issues

Principal Risks and Uncertainties

The main focus of the Company is to invest in private equity funds, which themselves invest in unquoted companies, and direct investments co-investing with leading private equity fund managers. An explanation of the risks and how they are managed is contained in note 8 to the accounts.

Share Capital

The Company's issued and paid up share capital as at 31 December 2007 was 70,100,000 ordinary shares of EUR 0.001 each. This is detailed in note 14 to the accounts while the changes to the share structure in 2007 are detailed in Significant Events below.

Shareholder Information

The Net Asset Value and the Net Asset Value per Share is 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 IFRS which requires the Company's direct investments and fund investments to be valued at fair value and will be announced by the Company on its website and to regulatory information service approved by the UK Listing Authority as soon as practicable after the end of the relevant period.

Dividends

During 2007 total dividends of EUR 0.574 per share (calculated on the dividend per share after the share split) were paid by way of two interim dividends. The Directors of Princess Private Equity Holding Limited do not propose a final dividend for the year ended 31 December 2007.

Results

The results for the year are shown in the consolidated income statement on page 12.

Directors

The Directors of Princess Private Equity Holding Limited are detailed on page 3. The Directors had no beneficial interest in the Company other than as shown below.

Mr Human retired by rotation and was re-elected at the last AGM. Mr Billmaier was appointed by the Board on 5 December 2006 and his appointment was confirmed at the AGM.

Mr Maltby and Mr Hooley were appointed by the board on 1 October 2007 and confirmation of their appointment will be proposed at the 2008 AGM.

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

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

No Director had a service contact with the company other than Mr Human who is a part time employee of the Company.

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. The Company's articles entitle the Directors, managers, agents, secretary and other officers to be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company.

Directors' Report (continued)

Investment Management Arrangements

Princess Management Limited, a wholly owned subsidiary of Partners Group, is the Investment Manager to the Company. A revised Investment Management Agreement was signed ahead of the listing on the London Stock Exchange. The Investment Manager is permitted to delegate some or all of its obligations and has entered into an Investment Advisory Agreement with Partners Group. Mr Wietlisbach is a founding partner of Partners Group and currently serves as that firm's executive vice chairman. Details of the Management fees are shown under note 5.

Significant Events

At the Annual General Meeting held on 12 April 2007 resolutions authorising the following were proposed and adopted: the amendment of the Articles of Association of the Company to allow electronic dissemination of shareholder information cancellation of the amount standing to the credit of the share premium account of the Company and the conversion of such amount into a distributable reserve; authorisation of the Company to purchase its own shares; approval of the Directors Report and Audited Accounts for the year ended 31 December 2006; authorisation of the payment of a dividend of EUR 2.74 per Ordinary Share (pre share split), to be paid on 30 April 2007, conditional on the share premium reduction being approved by the Royal Court of Guernsey, which was obtained; appointment of auditors, appointment of directors and other general business.

An Extraordinary General Meeting of the Company was held on 12 October 2007. At this meeting the following resolutions were proposed and adopted: each authorised Ordinary Share of EUR 0.01 in the Company be divided into 10 Ordinary Shares of EUR 0.001 each; the adoption of new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company to comply with the UKLA listing requirements.

The Board of Directors of the Company announced on 31 October 2007 that the Company had successfully applied for the entire issued share capital of 70,100,000 ordinary shares of EUR 0.001 each to be admitted to the Official List (Chapter 15) and trading on the London Stock Exchange (LSE) commenced from 1 November 2007.

On 5 December 2007 the Directors declared an interim dividend of EUR 0.3 per share.

Substantial Interest

The 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 Services Authority. The Company must then disseminate this information to the wider market. The significant holdings in the Company which have been notified to the Company are shown in note 14.4.

Corporate Governance

Introduction
As a Guernsey registered company, the Company is not required to comply with the Combined Code. However, the Directors have determined to report against the AIC ("Association of Investment Companies") Code of Corporate Governance and to follow AIC's Corporate Governance Guide for Investment Companies. There are no specific corporate governance principles the Company is obliged to comply with either in Guernsey or Germany.
The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are specific to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.
The Combined Code includes provisions relating to

- The role of the Chief Executive
- Executive Directors' remuneration
- The need for an internal audit function

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

FWB Listing (Frankfurt Stock Exchange)

Listed stock corporations having their registered seat in Germany are subject to the German Corporate Governance Code adopted by the German Corporate Governance Code Commission on 26 February 2002, in the 2 June 2005 version thereof currently in force (hereinafter the "Code"). The Code's aim, in particular, is to make the German system of Corporate Governance more transparent, to clarify shareholder rights and to improve Management Board-Supervisory Board collaboration, internal reporting and auditor independence.

Directors' Report (continued)

The Board

The Board consists of four non executive directors and one executive director. The independent Chairman of the Board is Mr Maltby who 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 responsibility's 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 and Mr Billmaier) as independent of the Investment Manager and the Investment Adviser and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Mr Human was appointed Managing Director pursuant to a service contract dated 20 March 2007. He is a part time employee. 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 Adviser, but this employment was terminated in December 2007 and the Board now regards Mr Human as independent.

Prior to his appointment as a Director, Mr Hooley was a partner of a professional adviser to the manager of the Company. The nature of the advice sought and the limited role performed by Mr Hooley are such that the Board has concluded that this past relationship does not affect Mr Hooley's ability to exercise independent judgement.

Mr Billmaier is not regarded as independent as he serves on the Board of another company advised by Partners Group since December 2007.

The Board has a breadth of experience relevant to the Company and a balance of skills, experience and age and the Directors have not identified any gaps that require improvement at this time.

The Board will undertake an annual evaluation of its own performance and the performance of its committees and individual Directors. This will be facilitated by the Company Secretary but no such evaluation was carried out in 2007, given the relatively new appointments ahead of the listing on the LSE.

The Board will undertake an annual review of the effectiveness of the Company's system of internal controls and the safeguarding of shareholders' investments and the Company's assets. As these were extensively reviewed ahead of the listing on the LSE no additional review was conducted in 2007.

Directors are appointed for a fixed term of no more than three years. The appointment shall 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. 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 except for Mr Wietlisbach who is subject to annual re-election.

Director's 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 Adviser and other third-party service providers, such as the Administrator and the Corporate Secretary.

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, given the strong performance, 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 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. 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 LSE listing process. This includes approval of accounts, approval of dividends and the appointment and removal of service providers. The consent of the Board is required if the Investment Manager wishes to borrow more than 25% of the value of the Company assets, enter into any transaction with an affiliate of the Investment Manager or invest more than 10% of the Company's assets in any single investment (excluding investments in pooling vehicles).

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. The Directors may request any Agenda items to be added that

Directors' Report (continued)

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 broker also attends 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 2007:

Meeting Date	**Attendance**	**Apologies**
22 February 2007	UW, GH, BH	AB
24 May 2007	UW,AB, GH, BH	
9 August 2007	UW,AB, GH, BH	
12 September 2007	UW,AB, GH, BH	
Post LSE Listing		
1 October 2007	CM, JH, UW,AB, BH	
25 October 2007	JH, AB, BH	CM,UW
16 November 2007	CM, JH, UW,AB, BH	

Committees of the Board

The Board has established an Audit and Management Engagement Committee. The Audit and Management Engagement Committee will meet at least four times a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored and will provide a forum through which the Company's external auditors may report to the Board. The Audit and Management Engagement Committee will review the annual, half yearly and quarterly accounts, results, announcements, internal control systems and procedures and accounting policies of the Company. With the exception of Mr Wietlisbach, the Audit and Management Engagement Committee is composed of all the members of the Board, and is chaired by Mr Hooley. The Committee met once in 2007 to approve the September 2007 report and accounts.

The Board has also established an Investment Committee of all the Directors, save for Mr Wietlisbach and Mr Maltby, which is responsible for considering and if thought appropriate agreeing matters that require the approval of the Board under the Investment Management Agreement. The Company's Investment Committee will otherwise not be involved in the Company's investment activities, which are executed by the Investment Manager in a discretionary mandate. The committee was not required to meet in 2007.

Given the size and nature of the Company, it is not deemed necessary to form a separate remuneration committee. The Board, as a whole, will also consider new Board appointments.

The Board consider that an internal audit function is not required within the Company as the internal controls systems operated by the Manager's and the Administrator's ultimate parent provide sufficient assurances as to the effectiveness of internal controls. Individual Directors undertake periodic visits to Partners Group to assess these controls and procedures.

Directors' Interests

The directors had no beneficial interest in the Company other than as shown below:

- Mr. Wietlisbach 170,000 shares deliverable in the form of co-ownership interest.

Shareholder Communication

The Directors place great importance on shareholder communication while the Manager and the Investment Advisor also carry out a programme 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 accounts as well as 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. Regular news releases are also published.

Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial year 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 Company and of the profit or loss of the 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

Directors' Report (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilitles, financial position and profit or loss of the Group, and the Investment Manager's report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994 as amended from time to time. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The work carrled out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparatlon and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Secretary

The secretary of the Company at 31 December 2007 was Dexion Capital (Guernsey) Limited.

Auditors

During the year PricewaterhouseCoopers CI LLP were the auditors of the Group and a resolution to reappoint them as auditors to the Group will be proposed at the Annual General Meeting.

JH Hooley

J.Hooley
Director

B.Human
Director

8 February 2008

PRICEWATERHOUSECOOPERS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Princess Private Equity Holding Limited which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, and of its consolidated financial performance and its 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, 1994.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. The other information comprises only the directors' report.

In our opinion the information given in the directors' report is consistent with the consolidated financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 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.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

2008

Consolidated audited income statement
for the year from 1 January 2007 to 31 December 2007

	Notes	**01.01.2007 - 31.12.2007 EUR**	*01.01.2006 - 31.12.2006 EUR*
Net income from designated financial assets at fair value through profit or loss		**93'123'630**	*117'989'631*
- Dividend and interest income	9 & 17	6'103'572	*4'820'313*
- Revaluation	9 & 19	103'667'915	*109'760'741*
- Foreign exchange gains & losses	9 & 18	(16'647'857)	*3'408'577*
Net income from financial assets at fair value through profit or loss held for trading			
Net income from listed private equity		**(5'779'986)**	-
- Gains and losses	10	(5'779'986)	-
Net income from short-term investments		**301'065**	*3'167'606*
- Gains and losses	11	950'535	2'978'896
- Interest on short-term investments	11 & 17	240'388	188'710
- Foreign exchange gains & losses	11 & 18	(889'858)	-
Net income from cash & cash equivalents		**3'783'945**	*2'334'523*
- Interest income	13 & 17	4'784'610	*2'515'693*
- Foreign exchange gains & losses	18	(1'000'665)	*(181'170)*
Operating income		**91'428'654**	*123'491'760*
Operating expenses		**(16'143'182)**	*(17'992'557)*
- Management fee	5	(13'609'628)	*(9'276'956)*
- Insurance fee	5	-	*(6'111'758)*
- Administration fee	5	(334'772)	*(276'593)*
- Incentive fee	5	(292'762)	-
- Tax exemption fee	6	(1'707)	*(1'654)*
- Restructuring costs		(1'195'779)	*(1'192'332)*
- Other foreign exchange gains & losses	18	193'306	*(519'154)*
- Other operating expenses		(901'840)	*(614'110)*
Financing cost		**(141'505)**	*(34'146'844)*
- Finance cost on convertible bond	15	-	*(32'867'359)*
- Amortization of transaction costs	15	-	*(1'127'843)*
- Interest expense	17	(141'505)	*(151'642)*
Surplus / (loss) for the financial year		**75'143'967**	*71'352'359*

		01.01.2007 - 31.12.2007	*01.01.2006 - 31.12.2006*
Earnings per share			
- Weighted average number of shares outstanding	4	70'100'000	*7'010'000*
- Basic surplus / (loss) per share for the financial year	4	1.07	*10.18*
- Diluted surplus / (loss) per share for the financial year	4	1.07	*10.18*

The notes on pages 16 to 30 form an integral part of these financial statements.

Consolidated audited balance sheet
as at 31 December 2007

	Notes		31.12.2007 EUR		*31.12.2006 EUR*
Assets					
Non-current assets					
Designated financial assets at fair value through profit or loss					
Investments in limited partnerships and directly held investments	2 & 9		**565'123'026**		*430'576'071*
Financial assets at fair value through profit or loss held for trading					
Investment in listed private equity	2 & 10	**31'283'850**		-	
Short-term investments	2 & 11	-		*46'451'854*	
Hedging assets	9	**6'095'015**		-	
			37'378'865		*46'451'854*
Current assets					
Other short-term receivables	12	**616'560**		*211'749*	
Cash and cash equivalents	13	**80'258'529**		*167'922'252*	
			80'875'089		*168'134'001*
Total assets			**683'376'980**		*645'161'926*
Equity					
Capital and reserves					
Issued capital	14	**70'100**		*70'100*	
Share premium	14	-		*730'149'287*	
Distributable reserve	14	**689'911'890**		-	
Accumulated loss		**(13'775'481)**		*(88'919'448)*	
Total equity			**676'206'509**		*641'299'939*
Liabilities falling due within one year					
Financial liabilities at fair value through profit or loss					
Hedging liabilities	9		-		*1'867'066*
Other short-term liabilities					
Other short-term payables	16	**7'170'471**		*1'994'921*	
			7'170'471		*1'994'921*
Total liabilities and equity			**683'376'980**		*645'161'926*

The notes on pages 16 to 30 form an integral part of these financial statements.

The financial statements on pages 12 to 30 were approved by the board of directors on 8 February 2008 and are signed on its behalf by:

J. Hooley
Director

B. Human
Director

Consolidated audited statement of changes in equity
for the year from 1 January 2007 to 31 December 2007
(all amounts in EUR)

	Share capital	Share premium	Distributable reserve	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year	70'100	730'149'287	-	(88'919'448)	**641'299'939**
Transfer share premium to distributable reserve	-	(730'149'287)	730'149'287	-	**-**
Dividend payment	-	-	(40'237'397)	-	**(40'237'397)**
Surplus / (loss) for the financial year	-	-	-	75'143'967	**75'143'967**
Equity at end of reporting year	**70'100**	**-**	**689'911'890**	**(13'775'481)**	**676'206'509**

Consolidated audited statement of changes in equity
for the year from 1 January 2006 to 31 December 2006
(all amounts in EUR)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year	76	199'474'524	(160'271'808)	**39'202'792**
Increase of share capital	24	-	-	**24**
Conversion of the convertible bond	70'000	530'674'763	-	**530'744'763**
Surplus / (loss) for the financial year	-	-	71'352'360	**71'352'360**
Equity at end of reporting year	**70'100**	**730'149'287**	**(88'919'448)**	**641'299'939**

The notes on pages 16 to 30 form an integral part of these financial statements.

Consolidated audited cash flow statement
for the year from 1 January 2007 to 31 December 2007

	Notes	**01.01.2007 - 31.12.2007 EUR**	*01.01.2006 - 31.12.2006 EUR*
Cash flow from operating activities			
- Management fee	5	**(13'609'628)**	*(9'276'956)*
- Administration fee	5	**(334'772)**	*(276'593)*
- Insurance fee	5	**-**	*(6'111'758)*
- Incentive Fee	5	**(292'762)**	*-*
- Tax exemption fee	6	**(1'707)**	*(1'654)*
- Restructuring costs		**(1'195'778)**	*(1'192'332)*
- Other operating expenses		**(901'840)**	*(614'110)*
- Proceeds from / (costs of) hedging activities	9	**12'475'305**	*(6'853'126)*
- (Increase) / decrease in other short-term receivables		**(211'506)**	*(411'296)*
- Increase / (decrease) in other short-term payables		**5'175'550**	*1'788'680*
- Dividends received from limited partnerships and directly held investments	9	**2'874'253**	*1'297'935*
- Interest received from limited partnerships and directly held investments	9	**2'217'059**	*3'522'378*
- Purchase of limited partnerships and directly held investments	9	**(234'695'249)**	*(57'845'389)*
- Distributions from limited partnerships and directly held investments	9	**167'743'226**	*202'709'048*
- Purchase of listed private equity	10	**(37'063'836)**	*-*
- Redemptions of short-term investments	11	**197'302'644**	*243'251'057*
- Net purchase of short-term investments	11	**(150'790'113)**	*(241'638'463)*
- Interest on short-term investments	11	**240'388**	*188'709*
- Interest from cash and cash equivalents	13	**4'784'610**	*2'515'693*
- Financing cost / credit line charges		**(141'505)**	*(340'176)*
Net cash from / (used in) operating activities		**(46'425'661)**	*130'711'646*
Cash flow from financing activities			
- Increase in share capital		**-**	*24*
- Dividend payment		**(40'237'397)**	*-*
Net increase / (decrease) in cash and cash equivalents		**(86'663'058)**	*130'711'670*
Cash and cash equivaients at beginning of reporting year	13	**167'922'252**	*37'391'751*
Effects on cash and cash equivalents - Movement in exchange rates	18	**(1'000'665)**	*(181'170)*
Cash and cash equivalents at end of reporting year	13	**80'258'529**	*167'922'252*

The notes on pages 16 to 30 form an integral part of these financial statements.

Notes to the consolidated audited financial statements

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 company that operates in the private equity and private debt market and invests directly or through its wholly-owned subsidiary, Princess Private Equity Subholding Limited, in private market investments.

Since 13 December 2006 the shares of the Company have been listed on the Prime Standard of the Frankfurt Stock Exchange (See note 14). As of 1 November 2007 the shares have also been listed on the London Stock Exchange.

As of 31 December 2007 the Company has one part time employee who serves as managing director.

2 Principal accounting policies

The accounting policies correspond to those of the audited consolidated financial statements of the year ended 2006 except for the changes discussed below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

As at 1 January 2007 there were new and existing revised International Financial Reporting Standards (IFRS) to be adopted. The Group has consequently adopted all relevant and below-mentioned Standards since 1 January 2007.

- International Financial Reporting Standard 7 (effective 1 January 2007)) - Financial Instruments: Disclosures, and the complementary amendments to IAS 1 - Presentation of financial statements: Capital disclosures.

The adoption of IFRS 7 did not affect the Group's results of operations or financial position, but resulted in additional disclosures about the significance of financial instruments for the Group's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of the financial risks.

The interpretations IFRIC 7 to 10 (International Financial Reporting Interpretations Committee) are effective for financial periods after 1 January 2007. These interpretations had no impact on the financial statements of the Group.

The following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after 1 January 2008, or later periods have not been early adopted:

- IFRS 8 (effective 1 January 2009): - Segment reporting
- IFRIC 11 (effective 1 March 2007): - Group and treasury share transactions
- IFRIC 12 (effective 1 January 2008): - Service Concession Arrangements
- IFRIC 13 (effective 1 July 2008): - Customer Loyalty Programmes
- IFRIC 14 (effective 1 January 2008): - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group assessed the impact of IFRS 8 and concluded that this new standard will result in some additional disclosures, but will not affect the Group's results of operations or financial position . The Group will apply IFRS 8 from accounting periods beginning 1 January 2009.

The Group assessed the impact of the interpretations of IFRIC 12 to 14 and concluded that these new interpretations will not affect the Group's results of operations or financial position.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards 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 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 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 ultimately may differ from those estimates.

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

Income from bank deposits is included on an accruals basis. Gains and losses from short-term investments and gains and losses from cash and cash equivalents also include the increase in value of bonds purchased at a discount. All realized and unrealized surpluses and losses are recognized in the income statement.

Notes to the consolidated audited financial statements (continued)

2 Principal accounting policies (continued)

Expenditure

The expenditure is included in the consolidated financial statements on an accruals basis.

Functional and presentation currency

The consolidated financial statements are presented in Euro which is also the currency of the primary economic environment in which it operates ('functional currency'). Transactions in foreign currencies are translated into Euro at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are included in the income statement.

As of 1 January 2007 the Company and the Subsidiary changed functional currency from US dollars to Euro. All items have been translated from US dollars to Euro using the exchange rate at the date of the change. The applied foreign exchange rate equals USD/EUR 0.7582076.

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

a) Classification

The Group classifies its investments in debt and equity securities, 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 Board of Directors 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 purposes of selling or repurchasing in the short term.

The Group's policy of hedging the value of non-Euro investments against the Euro does not qualify for hedge accounting as defined in IAS 39. Derivative financial instruments are classified as financial assets and liabilities held for trading or designated in case they are managed and their performance is evalutated on a fair value basis in accordance with the Group's documented investment strategy. They are initially recognized in the balance sheet at fair value and subsequently are remeasured at their fair value. As a result the unrealized changes in the fair value of these derivatives and the realized net gains / losses on the derivatives that matured during the period are recognized in the income statement under the heading of "Net income from limited partnerships and directly held investments - foreign exchange gains and losses". The fair values of various derivative instruments used for hedging purposes are disclosed in note 9.

Financial assets and financial liabilities designated at fair value through profit or loss at inception consist of investments in limited partnerships and directly held investments. They 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 Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

In selecting investments the directors have taken into consideration the accounting and valuation bases of the underlying partnerships and select only those investments which adopt an internationally recognized standard.

b) Recognition / Derecognition

All transactions relating to financial assets and financial liabilities at fair value through profit or loss are recognized on the settlement date.

Any distributions, including return of principal of investment, received from the underlying limited partnerships and directly held investments are recognized on the distribution date.

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.

Notes to the consolidated audited financial statements (continued)

2 Principal accounting policies (continued)

Financial assets and financial liabilites at fair value through profit and loss (continued)

c) Measurement

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 category are presented in the income statement in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the income statement within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Group's right to receive payments is established. Transaction costs are expensed in the income statement.

d) Fair Value estimation

The fair value of financial instruments traded in active markets (such as listed private equity) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

Short-term investments

The Group classifies its monetary investments in short-term investments as financial assets at fair value through profit or loss. Short-term investments are defined as investments with maturity between three and twelve months from the date of purchase and are treated as "financial assets at fair value through profit or loss".

The short-term investments purchased at par are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value are included within "Net income from short-term investments - Gains and losses".

The short-term investments purchased at a discount are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value and the interest received at maturity are included within "Net income from short-term investments - Gains and losses". Upon maturity of the short-term investments purchased at a discount the difference between the last reported fair value and the maturity amount are included within "Realized gains and losses".

All transactions relating to short-term investments are recognized on the settlement date.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and term deposits 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.

Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, have been consolidated. All inter-company transactions, balances and unrealized surpluses and losses on transactions between group companies have been eliminated. A listing of the Group's subsidiaries is set out in note 25.

The consolidation is performed using the purchase method. All Group companies have a 31 December year-end.

Notes to the consolidated audited financial statements (continued)

3 Critical accounting estimates and judgments

Estimates and judgments are 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investments in limited partnerships and directly held investments

For the valuation of such investments the directors review information provided by underlying partnerships and other business partners and apply widely recognized valuation methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation to estimate a fair value as at the balance sheet date. The variety of valuation bases adopted, quality of management information provided by the underlying partnerships 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. Therefore the amounts realized on the sale of investments will differ from the fair values reflected in these financial statements and the differences may be significant.

4 Earnings per share / Net asset value per share

Basic earnings per share are calculated by dividing the surplus or loss for the financial year attributable to the shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The net asset value per share is calculated by dividing the net assets in the balance sheet by the number of potential shares outstanding at year-end.

5 Expenses

Management fee

Until 8 December 2006 the management fee was calculated on the following basis:

The management fee was paid quarterly in advance pursuant to the Investment Management Agreement between the Company and the Investment Manager Princess Management Limited (Formerly Princess Management & Insurance Limited). The quarterly management fee was calculated as 0.375% of the higher of the sum of Private Equity Net Assets and the undrawn commitments or the Net Assets of the Group.

After 8 December 2006 the management fee is being calculated on the following basis:

Under the Investment Management Agreement between the Company and the Investment Manager the Company pays to the Investment Manager a quarterly management fee. The quarterly management fee is calculated as 0.375% of the higher of the sum of Private Equity Net Assets and the undrawn commitments or the Net Assets of the Group at the end of the quarter.

In respect of secondary investments, the Company pays an additional quarterly fee equal to 0.0625% of the secondary investment value. In respect of direct investments, the Company pays an additional quarterly fee equal to 0.125% of the direct investment value.

Notes to the consolidated audited financial statements (continued)

5 Expenses (continued)

Administration fee

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between the Company and Partners Group (Guernsey) Limited. ("the investment manager") The quarterly administration fee is 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.

Insurance fee

The insurance fee was paid quarterly in advance pursuant to the Insurance Trust Agreement between the Company and Princess Management Limited. On 9 February 2006 when the mitigation rights were exercised, the calculation of the quarterly insurance premium changed and the insurance premium was calculated as 0.375% of Net Assets minus all assets held in cash, cash equivalents or marketable securities.

In the course of the restructuring, the Insurance Policy was terminated with effect from 8 December 2006. No insurance fee has been charged after that date.

Incentive Fee

The incentive fee in respect of direct investments is determined as provided below, and the incentive fee in respect of secondary investments is determined in the same manner, mutatis mutandis, save that the incentive fee in respect of secondary investments is determined using a rate of 10% instead of 15%. The incentive fee in respect of each direct investment is calculated as follows on a deal-by-deal basis:

First, Princess receives 100% of all distributions (being all amounts whether of an income or capital nature) derived from the relevant direct investment ("relevant distributions") until it has received relevant distributions equal to:

- its acquisition cost in respect of the relevant direct investment; plus

- an amount (the "preferred return") calculated at the rate of 8% per annum compounded annually on the amount outstanding in respect of the relevant direct investment from time to time (i.e. zero or acquisition cost less relevant distributions, whichever is greater), taking into account the timing of the relevant cash flows;

Second, an incentive fee equal to 100% of further relevant distributions received by Princess is due and payable to the Investment Manager until such time as the Investment Manager has received 15% of the sum of the preferred return distributed to Princess under the preceding paragraph and the incentive fee due and payable to the Investment Manager under this paragraph; and

Third, an additional incentive fee equal to 15% of further relevant distributions to Princess is due and payable to Princess Management Limited.

6 Taxation status

All companies in the Group are exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 and they have been each charged an annual exemption fee of GBP 600.

7 Segment reporting

The sole business segment is investing in private market investments resulting in no segment disclosure reporting in accordance with IAS 14. Therefore the results published in this report correspond to the primary segment-reporting format.

8 Financial risk management

Financial risk factors

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 programme 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 exchange contracts to hedge certain exposures.

(a) Foreign exchange risk

The Group holds assets denominated in currencies other than the Euro, the functional currency. The value of assets denominated in other currencies will fluctuate due to changes in exchange rates. Main currency risk for the Group results from the assets held in US dollars where a change of exchange rates can have a material impact on the value of assets. A hedging committee meets on a quarterly basis, reviews the foreign exchange rate risk and decides on the use of derivative financial instruments such as foreign exchange contracts to hedge certain exposure. Furthermore the risk management committee reviews the foreign exchange risk on a monthly basis and proposes changes to the actual hedging positions if necessary.

Notes to the consolidated audited financial statements (continued)

8 Financial risk management (continued)

(a) Foreign exchange risk (continued)

The annual volatility using cross-currency rates from 01 January 2001 to 31 December 2007 equals 8.3% (8.7% for the previous year) for the US dollar compared to the Euro. Under the assumption that the US dollar fluctuates with an annual volatility of 8.3% the value of these assets and the corresponding result would be either EUR 7,727,791 higher or lower (EUR 9,472,912 for 2006).

(b) Interest rate risk

The Group invests in interest-bearing mezzanine investments that are exposed to the risk of changes in market interest rates. The interest on the mezzanine loans 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 very limited. At year-end all term-deposits are invested have fixed interest rates.

Except as above, the income and operating cash flows are substantially independent from changes in market interest rates.

(c) 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 a fund investment) exposure. Bad credit development or a default of investments 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 limited partnerships and directly held investments.

It is expected that investments will be 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 ratlng of P-1 (Moody's).

The Group may also invests in mezzanlne facilities of private equity backed companies. The Companies' financial performance is monitored on a monthly basis and classified by an internal rating system. If a company's performance is below expectation with concern, the loan facility's actual value will be assessed and if necessary impaired.

Rating of Mezzanine instruments	**31.12.2007 EUR**	*31.12.2006 EUR*
Above expectation	-	-
As expected	13'707'292	-
Below expectation	-	-
Below expectation with concerns	-	-
Total	**13'707'292**	-

Other than listed above the Group has no significant concentration of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. As of 31 December 2007 the impairment on mezzanine investments amounts to EUR nil (2006: nil).

Notes to the consolidated audited financial statements (continued)

8 Financial risk management (continued)

(d) Liquidity risk

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 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 line facility, reducing the amount of listed private equity or the selling of investments on the secondary market. The table below analyses the liquidity risk due to the over-commitment strategy.

Over-commitment Strategy	**31.12.2007** **EUR**	**31.12.2006** **EUR**
Unfunded commitments	(408'170'641)	(196'160'746)
Cash and Cash equivalents	80'258'529	167'922'252
Listed private equity	31'283'850	-
Hedging assets	255'614'562	317'370'101
Hedging liabilities	(249'519'547)	(319'237'167)
Net other current assets	616'560	46'663'603
Undrawn credit line	34'286'500	37'910'380
Over-commitment	(255'630'187)	54'468'423
Unfunded / NAV Ratio	60%	31%
Unfunded / NAV Ratio (Inc. credit line)	57%	29%

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 theses instruments at an amount close to fair value in order to respond to its liquidity requirements or to specific events such as a deterioration in the creditworthiness of any particular issues.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2007	**Less than 3 months EUR**	**3 to 12 months EUR**
Unfunded commitments	408'170'641	-
Other short-term payables	7'170'471	-
Total liabilities	415'341'112	-

At 31 December 2006	**Less than 3 months EUR**	**3 to 12 months EUR**
Unfunded commitments	196'160'746	-
Net hedging inflow	319'237'167	-
Net hedging outflow	(317'370'101)	-
Other short-term payables	1'994'921	-
Total liabilities	200'022'733	-

Notes to the consolidated audited financial statements (continued)

Princess Private Equity Holding Limited

8 Financial risk management (continued)

(e) Market price risk

Designated financial assets at fair value through profit or loss and investments in listed private equity bear a risk of loss of capital. Princess Management Limited moderates this risk through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis by the Group's Investment Manager and are reviewed on a quarterly basis by the Board of Directors. The Group uses the Listed Private Equity Index (LPX50) as benchmark. The LPX50 reflects the performance of 50 listed private equity companies.

The annual volatility of the benchmark is 15.3% for the period between 1 January 2001 and 31 December 2007 (15.2% for the previous year). Under the assumption that designated financial assets at fair value through profit or loss and investments in listed private equity fluctuate with the annual volatility the value and the result of designated financial assets at fair value through profit or loss and investments in listed private equity would be either EUR 91,250,252 higher or lower (EUR 65,447,563 for 2006).

9 Limited partnerships and directly held investments

9.1 Investments

	31.12.2007 EUR	*31.12.2006 EUR*
Balance at beginning of reporting year	**430'576'071**	*451'341'244*
Capital activity recorded at the transaction rate	**234'695'249**	*57'845'389*
Distributions	**(167'355'690)**	*(202'709'048)*
Accrued PIK Interest	**873'446**	-
Realized PIK	**(387'536)**	-
Accrued Cash Interest	**138'814**	-
Revaluation	**103'667'915**	*109'760'741*
Foreign exchange gains / (losses)	**(37'085'243)**	*14'337'745*
Balance at end of reporting year	**565'123'026**	*430'576'071*

9.2 Distributions

	31.12.2007 EUR	*31.12.2006 EUR*
Dividends	**2'874'253**	*1'297'935*
Interest income	**2'217'059**	*3'522'378*
Accrued PIK Interest	**873'446**	-
Accrued Cash Interest	**138'814**	-
	6'103'572	*4'820'313*
Realized PIK	**387'536**	-
Return of investments	**167'796'529**	*203'009'007*
Gains / (losses) from sale of stock distributions	**(440'839)**	*(299'959)*
	167'743'226	*202'709'047*
Total distributions	**173'846'798**	*207'529'360*

Notes to the consolidated audited financial statements (continued)

9 Limited partnerships and directly held investments (continued)

9.3 Foreign exchange

	31.12.2007 EUR	*31.12.2006 EUR*
Foreign exchange revaluation	**(37'085'243)**	*14'337'745*
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	**7'962'081**	*(4'076'042)*
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	**12'475'305**	*(6'853'126)*
	(16'647'857)	*3'408'577*

At the balance sheet date, the Group had the following forward foreign exchange contracts in place. The contracts were entered into to hedge against changes in the foreign exchange value of the investments of the Subholding. The unrealized surplus / (loss) at the end of the reporting year is detailed below:

	USD	**Rate**	**Value date**	**Surplus / (loss) 31.12.2007 EUR**	*Surplus / (loss) 31.12.2006 EUR*
Buy EUR against USD	125'000'000	0.7536	22.01.2007	**-**	*(487'841)*
Buy EUR against USD	300'000'000	0.7501	28.04.2007	**-**	*(1'379'224)*
Buy EUR against USD	335'000'000	0.7042	18.01.2008	**6'205'019**	-
Buy EUR against USD	20'000'000	0.6802	18.01.2008	**(110'004)**	-
				6'095'015	*(1'867'066)*

10 Investments in listed private equity

	31.12.2007 EUR	*31.12.2006 EUR*
Balance at beginning of reporting year	**-**	-
Purchases recorded at the transaction rate	**37'063'836**	-
Gains / (losses) on listed private equity	**(5'779'986)**	-
Balance at end of reporting year	**31'283'850**	-

Notes to the consolidated audited financial statements (continued)

11 Short-term investments

11.1 Investments

	31.12.2007 EUR	*31.12.2006 EUR*
At beginning of reporting year	**46'451'854**	*45'085'553*
Additions	**150'790'113**	*241'638'463*
Redemptions	**(197'302'644)**	*(240'879'665)*
Unrealized gains / (losses) on short-term investments	**950'535**	*607'504*
Foreign exchange gains & losses	**(889'858)**	*-*
At end of reporting year	**-**	*46'451'854*

11.2 Income

	01.01.2007 - 31.12.2007 EUR	*01.01.2006 - 31.12.2006 EUR*
Interest on short-term investments	**240'388**	*188'710*
Realized gains / (losses) from short-term investments	**-**	*2'371'392*
Unrealized gains / (losses) from short-term investments	**950'535**	*607'505*
Foreign exchange gains & losses	**(889'858)**	*-*
Total gains and losses from short-term investments	**301'065**	*3'167'606*

Due to the level of distributions received from limited partnerships, the Group held cash in excess of its immediate requirements during the previous financial year. To achieve better returns the cash has been invested into short-term bonds with a maturity of less than one year. During this financial year the position has been reduced to zero to finance investment activities.

12 Other short-term receivables

	31.12.2007 EUR	*31.12.2006 EUR*
Distributions receivable	**616'560**	*211'749*
Total short-term receivables	**616'560**	*211'749*

13 Cash and cash equivalents

13.1 Balance

	31.12.2007 EUR	*31.12.2006 EUR*
Cash at banks	**80'258'529**	*167'922'252*
Total cash and cash equivalents	**80'258'529**	*167'922'252*

13.2 Interest income

	01.01.2007 - 31.12.2007 EUR	*01.01.2006 - 31.12.2006 EUR*
Interest received from cash at banks	**4'784'610**	*2'515'693*
Total interest income from cash and cash equivalents	**4'784'610**	*2'515'693*

Notes to the consolidated audited financial statements (continued)

14 Share capital

Pursuant to an extraordinary general meeting on 12 October 2007 the shareholders approved a share split. Each authorised Ordinary Share of EUR 0.01 has been divided into 10 Ordinary Shares of EUR 0.001 each.

	31.12.2007 EUR	31.12.2006 EUR
Authorized		
20,010,000 Ordinary shares of EUR 0.01 each	-	200'100
200,100,000 Ordinary shares of EUR 0.001 each	200'100	-
	200'100	200'100
Issued and fully paid		
7,010,000 Ordinary shares of EUR 0.01 each out of the bond conversion	-	70'100
70,100,000 Ordinary shares of EUR 0.001 each out of the bond conversion	70'100	-
	70'100	70'100

14.1 Share premium

	31.12.2007 EUR	31.12.2006 EUR
Share premium from issuance of shares	730'149'287	730'149'287
Transfer from share premium to distributable reserves 1)	(730'149'287)	
Total share premium	-	730'149'287

14.2 Distributable reserves

	31.12.2007 EUR	31.12.2006 EUR
Transfer from share premium to distributable reserves 1)	730'149'287	-
Dividend payment	(40'237'397)	-
Total distributable reserves	689'911'890	-

1) On 20 April 2007 the Royal Court of Guernsey confirmed a special resolution passed by the members of the Company whereby the amount standing to the credit of the share premium account, net of issue costs, immediately following the initial placing was transferred to a special distributable reserve.

14.3 Dividend payment

On 30 April 2007 and 13 December 2007 the seml-annual dividend of EUR 0.274 and EUR 0.30 per Ordinary Share as declared at the last Annual General Meeting was paid to the investors.

14.4 Shareholders above 3% of Ordlnary shares Issued

	Shares held	in %
CVP/CAP	215'210	3.07%
Deutsche Asset Management Investmentgesellschaft mbH	609'590	8.70%
VEGA Invest Fund PLC	600'000	8.56%

14.5 Restructurlng

Pursuant to a shareholders' resolution on 5 December 2006, the authorized Class A share capital was cancelled and the Class B shares were re-designated as unclassified shares. The denomination of the issued and authorized share capital was changed from US dollars to euro. A new authorized ordinary share capital denominated in euro was created. As a result of these changes, the Company has an authorized share capital of EUR 200,100 which is divided into 20,010,000 Ordinary shares.

At a bondholders' meeting on 5 December 2006, bondholders agreed to amend the terms and conditions of the bonds by entering into a fifth supplemental trust deed with Law Debenture Trustees Limited (the "Fifth Supplemental Trust Deed") giving the Company a mandatory conversion right. Accordingly the Company was granted the right (the "Mandatory Conversion Right") to convert all of the bonds into Co-ownership Interests. On 8 December 2006 each bond has been converted into 10 Ordinary shares deliverable in the form of Co-ownership Interests in a global bearer certificate issued by Clearstream, Frankfurt such that each Co-ownership Interest in a global bearer certificate carries rights corresponding to one Ordinary share.

The conversion of 700,000 convertible bonds at a par value of USD 1,000 each at USD 100 per share resulted in the issue of 7,000,000 Ordinary Shares. 10,000 shares were already issued and outstanding leading to 7,010,000 issued and outstanding Ordinary shares.

Notes to the consolidated audited financial statements (continued)

15 Convertible bond

	31.12.2007 EUR	*31.12.2006* *EUR*
Balance at beginning of reporting year	-	*496'749'561*
Amortization of transaction costs	-	*1'127'843*
Finance cost on convertible bond	-	*32'867'359*
Conversion of the convertible bond	-	*(530'744'763)*
Balance at end of reporting year	-	-

16 Other short-term payables

	31.12.2007 EUR	*31.12.2006* *EUR*
Accrued interest	**137'146**	*151'642*
Accruals to related parties	**5'629'629**	*43'596*
Other accruals	**1'403'696**	*1'799'683*
	7'170'471	*1'994'921*

17 Dividend and interest income and expense

	01.01.2007 - 31.12.2007 EUR	*01.01.2006 -* *31.12.2006* *EUR*
Interest income:		
- Dividend and interest income from limited partnerships and directly held investments	**6'103'572**	*4'820'313*
- Interest on short-term investments	**240'386**	*188'709*
- Interest income from cash and cash equivalents	**4'784'610**	*2'515'693*
Total dividend and interest income	**11'128'568**	*7'524'715*
Total interest expense	**(141'505)**	*(151'642)*

Notes to the consolidated audited financial statements (continued)

18 Foreign exchange gains and losses

	01.01.2007 - 31.12.2007 EUR	*01.01.2006 - 31.12.2006 EUR*
Foreign exchange gains and losses on:		
- Limited partnerships and directly held investments	**(16'647'857)**	*3'408'577*
- Short-term investments	**(889'858)**	*-*
- Cash and cash equivalents	**(1'000'665)**	*(181'170)*
- Other	**193'306**	*(519'154)*
	(18'345'074)	*2'708'253*

19 Revaluation

	01.01.2007 - 31.12.2007 EUR	*01.01.2006 - 31.12.2006 EUR*
Revaluation of:		
- Limited partnerships and directly held investments	**103'667'915**	*109'760'741*

20 Commitments

	31.12.2007 EUR	*31.12.2006 EUR*
Total commitments translated at the rate prevailing at the balance sheet date	**1'426'422'963**	*1'055'182'677*
Unfunded commitments translated at the rate prevailing at the balance sheet date	**408'170'641**	*196'160'746*

21 Net assets and diluted assets per ordinary share

The net asset value per share is calculated by dividing the net assets in the balance sheet by the number of potential shares outstanding at the balance sheet date.

	31.12.2007 EUR	*31.12.2006 EUR*
Net assets of the Group	**676'206'509**	*641'299'939*
Outstanding shares at the balance sheet date	**70'100'000**	*7'010'000*
Net asset per share at year-end	**9.65**	*91.48*
Diluted net assets per share at the balance sheet date	**9.65**	*91.48*

Notes to the consolidated audited financial statements (continued)

22 Credit line facility

The Company entered into a revolving credit facility with Bank of Scotland on 31 December 2002 for a maximum of USD 130,000,000. Security is inter alia, by way of a security agreement over the entire issued share capital of Princess Private Equity Subholding Limited. The credit facility has been reduced to USD 50,000,000.

Interest is calculated using a LIBOR rate on the day of the advance plus a margin. The margin depends on the total drawdown amount. An additional margin may be added if the ratio of Net Asset Value to the borrowings due to Bank of Scotland (including capitalized interest) is less than 5:1.

There is a non utilization fee which is payable yearly in arrears and this is calculated at 0.40% per annum on the average undrawn amount of the revolving credit during the period. In 2007 EUR 141,505 non utilization fee has been paid (2006: EUR 151,642).

In addition, an arrangement fee of USD 1,170,000 was paid to Bank of Scotland on entering into the facility.

As at the balance sheet date, the amount drawn under the credit facility was nil (2006: nil).

23 Insurance Policy

On 29 June 1999, the Company entered into an Insurance Agreement with Princess Management Limited, to ensure that it would be provided with sufficient funds able to pay the principal amount of the Bond at maturity on 31 December 2010.

In the course of the restructuring, the Insurance Policy was terminated with effect from 8 December 2006. No insurance fee has been charged after that date.

24 Related party transactions

Partners Group Holding held 10'000 Ordinary shares at the balance sheet date. Swiss Reinsurance Company sold its 1,990 Ordinary Shares to Partners Group Holding during 2006.

Partners Group Holding and all its subsidiaries and affiliates are considered to be related parties to the Group.

The directors as disclosed in the Directors' Report are also considered to be related parties to the Group.

Transactions and balances with related parties

The following transactions were carried out with related parties:

i) Services	Notes	**01.01.2007 - 31.12.2007 EUR**	*01.01.2006 - 31.12.2006 EUR*
Management fee paid to: - Princess Management Limited	5	**13'609'628**	*9'276'956*
Insurance fee paid to: - Princess Management Limited	5	**-**	*6'111'759*
Administration fee paid to: - Partners Group (Guernsey) Limited	5	**334'772**	*276'593*
Incentive fee - Princess Management Limited	5	**292'762**	-
IFRS Valuation advice: - Princess Management Limited		**68'573**	*75'821*

Notes to the consolidated audited financial statements (continued)

24 Related party transactions (continued)

Transactions and balances wlth related parties (continued)

	01.01.2007 - 31.12.2007 EUR	*01.01.2006 - 31.12.2006 EUR*
Directors' fees paid	**8'890**	*11'167*
Director's compensation		
- Short-term employee benefits	**95'648**	*3'031*

The company does not operate a pension scheme.

Reimbursement of fees due to investments in related limited partnerships	**3'213'957**	-

Princess Management Limited and Partners Group (Guernsey) Limited are companies incorporated in Guernsey and owned by Partners Group Holding.

ii) Year-end balances

	31.12.2007 EUR	*31.12.2006 EUR*
Other short-term payables to related parties:		
- Princess Management Limited	**5'629'627**	*(182'221)*

25 Group enterprises - significant subsidiaries

	Country of incorporation	**Ownership interest 31.12.2007**	*31.12.2006*
Princess Private Equity Subholdlng Limited	Guernsey	100%	*100%*