Princess

QUARTERLY REPORT

for the period from 1 April 2005 to 30 June 2005

INVESTMENT MANAGER'S REPORT

The convertible bond issued by Princess Private Equity Holding Limited offers both institutional and private investors access to an internationally diversified portfolio consisting of private equity partnerships. Investors have the opportunity to participate in the earnings generated by the private equity asset class. Moreover, the nominal capital is protected at maturity by an insurance policy, which is reinsured by Swiss Re.

RECORD INCREASE IN PRINCESS NAV IN SECOND QUARTER OF 2005

The net asset value (NAV) of the Princess portfolio increased by a record +7% in the second quarter of 2005 to 89.08%. This brings the increase over the past 12 months to just over +13% and marks a continuation of the recovery in the NAV evident since the low in July 2003 of 75.18%. The improvement in the NAV reflects an increase in the value of the private equity investments, as reported by the underlying partnerships in which Princess is invested, and an increase in cash. The increase in the value of the investments held was evident in all sectors, with the strongest gains recorded in the buyout sector, i.e. Permira Europe II, Silver Lake Partners and Quadriga Capital Private Equity Fund II, while in the venture sector SV Life Sciences Fund II and GMT Communications Partners II recorded significant improvements. The Princess portfolio includes a number of more mature investments which are close to exiting and these investments continue to benefit from the favorable conditions in the key exit markets.

The mid-market price of the Princess convertible bond stood at 80.75% at the end of June, up from 79.50% at the previous quarter end.

Cash flow continues to be strongly positive. In the past 12 months, Princess has funded capital calls for USD 105m and received distributions of USD 199m. In the second quarter, the value of distributions received totaled USD 43m. Nearly 60% of the distributions came from the buyout sector, with significant contributions from Nordic Capital IV (Dynal Biotech), Invesco Buyout Partnership Fund II and Coller International Partners III, while the special situations sector accounted for 25% of distributions, including contributions from Pegasus Partners II (Coffeyville Resources) and TCW/Crescent Mezzanine Partners III (Debenhams).

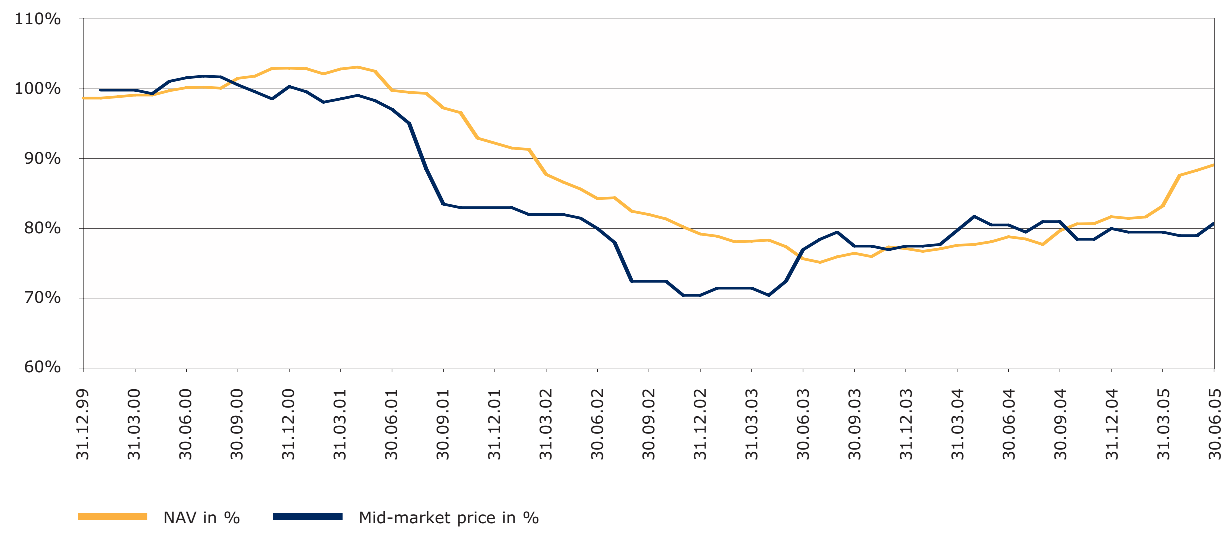
A number of the earlier vintage Princess partnerships are now at or near the end of their investment periods, but nevertheless in the quarter nearly 60% of the partnerships made capital calls, totaling USD 22m, to fund new or follow-on investments. These included Fenway Partners Capital Fund II (Panther II Transportation) and Invesco Venture Partnership Fund II.

As detailed in the last quarterly report, Princess has resumed new commitment activity and has made or is in the final stages of negotiating USD 90m in new commitments to seven partnerships. Those that have closed are detailed on page 8. Further commitments will be made in the second half of the year, with the target being to make USD 150m in new commitments to 2005 vintage funds.

The value of undrawn commitments at the end of the quarter stood at USD 203m, up from USD 198m at the end of March. The increase, despite the value of capital calls funded in the period, reflects the inclusion of the new commitments made in the period. The overcommitment has fallen from 31.13% to 25.60%, however, due to the substantial NAV increase in the quarter.

We are confident that the favorable trend in the NAV will continue through 2005, albeit at a more modest rate than seen in the second quarter.

NAV AND PRICE DEVELOPMENT SINCE INCEPTION



BUYOUT FUNDS IN FUNDRAISING BOOM

Private Equity Intelligence's *2005 Global Fundraising Review* reports that over 800 private equity funds around the world will attempt to raise USD 250bn this year. The last time the industry saw that much money flooding into the asset class was in 2000.

Recent fundraising activity has been frantic, with most of the new money being spoken to buyout funds, which are becoming larger in size. In Europe, BC Partners, Bridgepoint, CVC Capital Partners and Apax Partners all recently launched multi-billion euro funds. There is a similar picture across the Atlantic, with Goldman Sachs Capital Partners closing the largest buyout fund ever at USD 8.5bn this spring, while Blackstone Group might breach the USD 10bn mark when its latest offering closes, which will be in the near future.

Due to strong demand from limited partners, many of the popular funds that closed recently were oversubscribed and could have easily raised more capital. This also applies to groups that are currently fundraising in the market.

The enormous pools of capital being raised by the new funds, together with the trend among the major buyout players to form a consortium for specific transactions, give these buyout firms the purchasing power to pursue mega deals. A good example of this is Silver Lake's USD 11.3bn buyout – the second-largest ever – of SunGard, where it led a seven-party-strong consortium of financial buyers. Egon Durban from Silver Lake Partners addressed the topic of mega deals in a recent interview that is published on the next pages.

MARKET TRENDS

Silver Lake Partners is a leading private equity firm that focuses exclusively on making large-scale investments in leading technology companies. Silver Lake seeks to achieve superior returns by investing with the insight of an experienced industry participant, the operating skills of a world-class management team and the discipline of a leading private equity firm.

Egon Durban joined Silver Lake in January 1999 as a founding principal. He played a key leadership role in negotiating and executing Silver Lake's USD 11.3bn acquisition of SunGard Data Systems, along with a consortium of six other leading private equity firms.

Mr Durban, Silver Lake Partners recently put together a consortium of seven private equity firms for the second-largest buyout deal ever, the USD 11.3bn acquisition of SunGard. How do you select your consortium partners for an acquisition of this nature and magnitude and how do you agree on a common strategy?

The consortium is comprised of several of the world's leading private equity firms. Each partner in the consortium brings considerable and complementary expertise to the investment. It is a group joined together in a shared commitment to invest in SunGard as equal partners and work closely with the company's management and employees to maximize SunGard's potential. We at Silver Lake Partners are privileged to be joined by Bain Capital, Blackstone, Goldman Sachs PIA, Kohlberg Kravis, Providence Equity, and Texas Pacific Group in this unprecedented transaction.

In making this investment, we looked for partners who share our commitment to backing SunGard CEO Cris Conde and the world-class management team he has assembled, who have the sophistication needed to understand the attractive opportunity for value creation represented by SunGard's unique business model, and who have the resources and outlook required to support the investment over the longer term.

What are the specific roles of each partner within the consortium?

There is no formalized differentiation in roles, and the partnership is an equal one with each firm focused on creating long-term value for its limited partners.

What is the reason for the private equity industry's increased appetite for large buyout deals?

I can't speak for the industry as a whole, but as far as Silver Lake is concerned we always have an appetite for great investment opportunities in industries that we understand well. The reason we decided to acquire SunGard was not because we were out to make a large investment. We decided to acquire SunGard because we saw an opportunity to invest in a great company with a highly successful management team, a superior business model, a predictably growing revenue stream, and all the other assets required to create value over the long term.

What distinguishes a company in which private equity firms are willing to invest (almost) double-digit billion USD amounts?

Again, I can't speak for everyone in the business. The companies that are attractive to Silver Lake are those that are fundamentally sound, with terrific management teams and great potential for growth, and where we think we can realize a great return on investment. We like to partner with management to unlock that value, or accelerate the investments that will realize that value potential in a way that public investors – who tend to be focused on shorter term profitability – generally don't support. When we find opportunities that meet those criteria, we work relentlessly to craft the optimal transaction, execute it effectively and continue to add value going forward – regardless of the size or complexity of the investment.

We are proud of our track record in that regard, starting with our acquisition of Seagate Technology in 1999, which was the largest technology buyout to date at that time, through to our investment in NASDAQ and pending acquisition of Instinet in a complicated, three-way transaction. And while we like to make sizeable investments in companies that are operating at scale, that doesn't limit us to buyouts alone. We've used convertible bonds to make significant minority investments in great companies like Thomson, the French company that is now the global leader in the technologies that are driving the media and entertainment businesses, Flextronics and others.

What factors encourage public companies to go private?

There are a number of factors. The extraordinary and increasing demands placed on public companies with regard to reporting and governance are certainly a factor in many cases. The nature of public markets is also such that sometimes they simply don't value certain companies accurately, as was the case with SunGard, where the analysts and investors valuing the data recovery part of the business didn't understand the service processing part of the business, and vice versa.

Are mega deals riskier than small or mid-market buyout deals?

Only in the sense that the stakes are potentially higher. But there is nothing inherently riskier about investing on a large scale. To the contrary, smaller scale deals can often be completed by a single buyout firm operating independently. But larger deals by their very nature have to be approached by several partners working together. I would argue that the strength of those teams, and the processes that you go through to put them together, actually mitigate risk.

Looking ahead, how big are the mega deals of the near future going to be? Will the trend towards ever larger deals continue?

As many private equity funds themselves have raised more capital, it is only natural that they are in a position to evaluate and pursue larger target opportunities. And the capital markets go through cycles, of course. In recent years, there has been less competition among strategic buyers for bigger assets at the same time that the debt financing market has been robust, creating openings for private equity firms that might not have existed in the past.

In addition the private equity firms are learning to work together in partnership to analyze and execute investments. That said, I think the real trend to watch in private equity isn't scale, but rather specialization. Success in the private equity arena will increasingly come from bringing deep, industry-specific expertise and value add to the table. Capital alone will not deliver superior returns. This is a good thing.

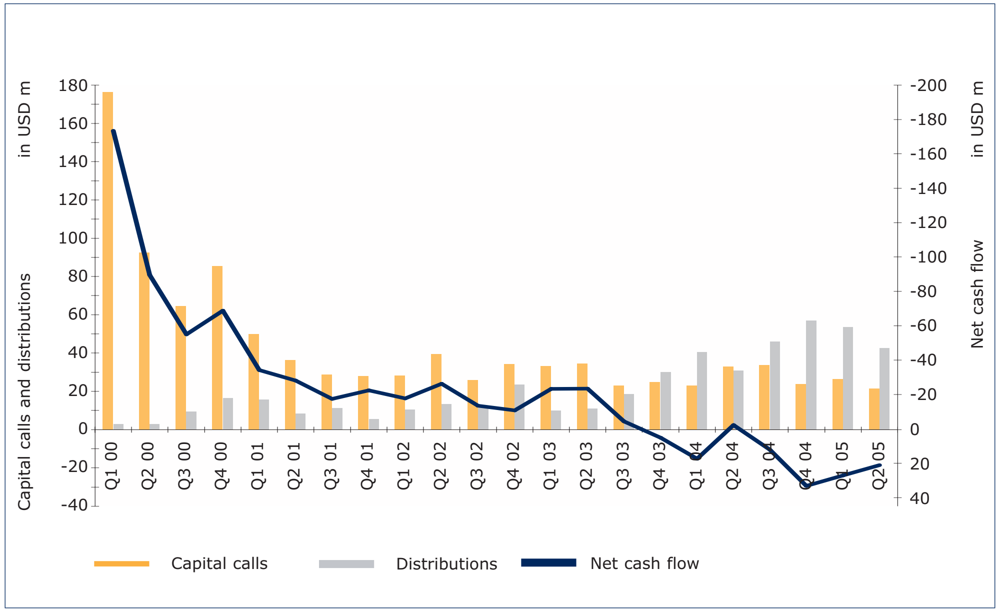
The 35-year history of growth in private equity has been very healthy for companies and for shareholders. Now that private equity is established as a viable alternative to even very large corporations, it is another tool that managements can use to create longer-term shareholder value. Private equity is also a market force that can be used to keep managements focused on shareholder value.

Mr Durban, thank you for this interview.

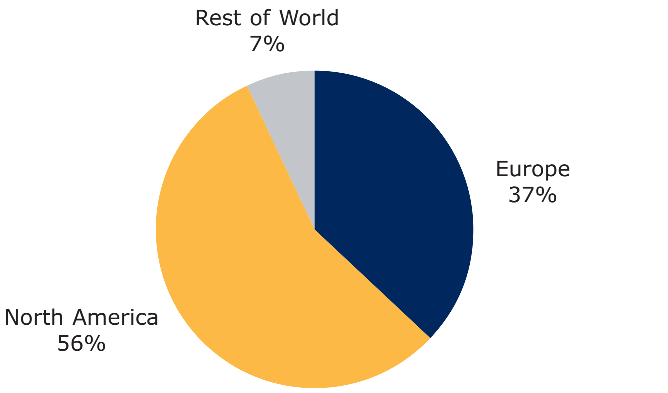
PORTFOLIO ALLOCATION

Princess has a well-balanced and broadly diversified portfolio according to geographic regions, financing stages, industry sectors and vintage years.

The portfolio has been cash positive since the end of 2003 as distributions have steadily increased and have been more than sufficient to fund ongoing capital calls.

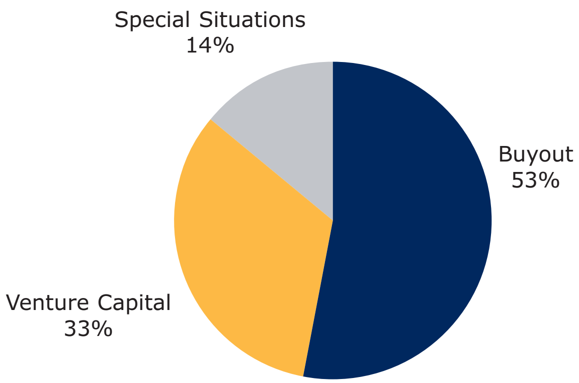


INVESTMENTS BY GEOGRAPHIC REGION*



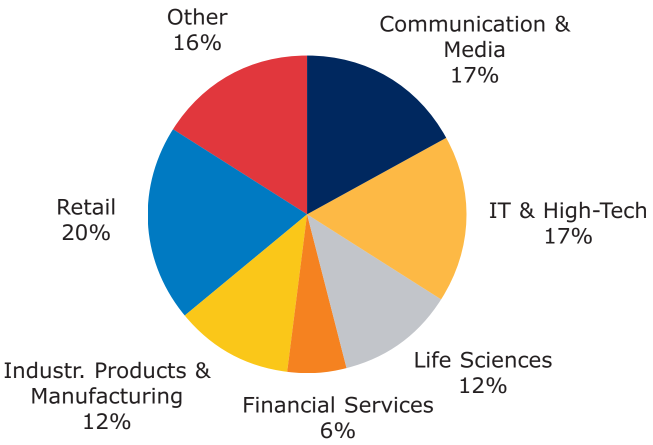
* Allocation by unrealized value of private equity investments

INVESTMENTS BY FINANCING STAGE*



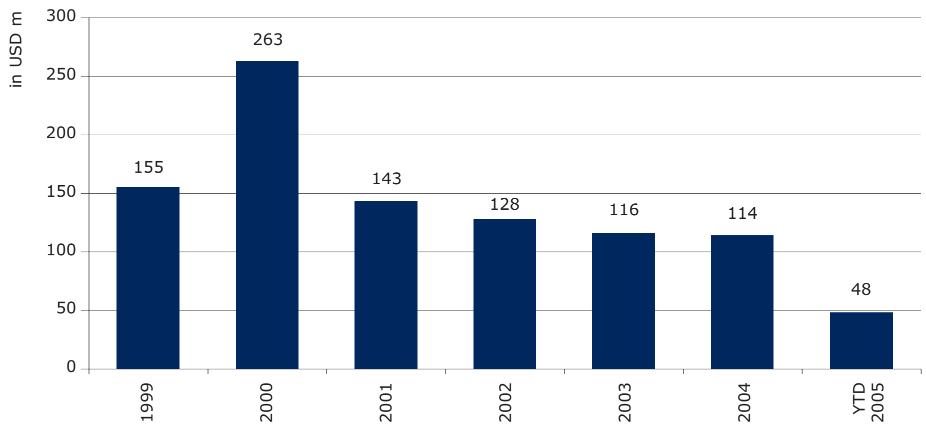
* Allocation by unrealized value of private equity investments

INVESTMENTS BY INDUSTRY SECTOR*



* Allocation by unrealized value of private equity investments

CAPITAL CALLS PER YEAR



PORTFOLIO

In the second quarter of 2005, Princess made commitments to three new partnerships.

Princess received USD 42.7m in distributions from 49 partnerships, and funded capital calls for USD 21.6m from 58 partnerships.

NEW COMMITMENTS

BC European Capital VIII, L.P.

In April, Princess made a EUR 10m commitment to BC European Capital VIII, L.P. BC Partners was established in 1986 and today is one of the leading European buyout firms and is considered one of the top players in its investment segment. BC European Capital VIII will invest in a diversified portfolio of large management buyouts in Europe, mainly in the countries where it has offices (France, UK, Italy, Germany and Switzerland).

Bridgepoint Europe III, L.P.

In April, Princess committed EUR 7.5m to Bridgepoint Europe III, L.P. The fund will focus on mid-market buyout and growth capital transactions across Europe. Bridgepoint is one of the few truly pan-European players with over 40 investment professionals operating out of offices in Birmingham, London, Frankfurt, Milan, Madrid, Paris and Stockholm.

Warburg Pincus Private Equity Fund IX, L.P.

In May, Princess made a USD 15m commitment to Warburg Pincus Private Equity IX, L.P. The fund will invest across all stages of business development, including venture capital, buyout and special situations transactions. The fund aims to invest 70% of its assets in North America, 15% in Europe and the balance in Asia. Warburg Pincus is one of the oldest and most renowned private equity firms worldwide. For over three decades now, the firm has been investing across all stages and has experience various economic cycles.

SELECTED NEW INVESTMENTS

Silver Lake Partners, L.P.

In April, it was announced that a definitive agreement had been reached for Silver Lake Partners and the existing management team to acquire the *Institutional Broker Division* from the Instinet Group for USD 207m. The Institutional Broker Division offers institutional customers advanced technology trading tools and sales-trading expertise, giving access to 30 securities markets around the world. The investment is seen as consistent with Silver Lake's focus on large-scale investing in technology and related growth industries. The deal is expected to close in six to twelve months. Silver Lake has also committed USD 205m in convertible notes to NASDAQ to part finance the concurrent acquisition by NASDAQ of the Instinet Group.

Blackstone Communication Partners I, L.P.

Affiliates of the Blackstone Group acquired a majority equity stake in *Global Tower Partners* from Great Hill Partners in April. Global Tower Partners owns and operates 642 wireless communication towers and 1,800 rooftop antenna facilities throughout the US, and they are acquiring a further 563 communication towers from Dobson Communications. Global Tower Partners' customers are leading wireless communications providers such as Nextel, Sprint PCS, AT&T Wireless and T-Mobile. Blackstone regards Global Tower Partners as a company of proven ability and will use the company as a platform to acquire further wireless communication tower assets.

SELECTED NEW EXITS

Graphite Capital Partners V, L.P.

In April, Graphite Capital sold *Ridgmont Care Homes* to Ashbourne Healthcare in a transaction which values the care home group at GBP 88m. The sale provided Graphite with a return of 6.4 times its original investment and an IRR of 76%. Graphite acquired a 78% holding in Ridgmont in 2001, when it backed a secondary buyout. Under Graphite's ownership Ridgmont has grown from 19 to 29 homes, providing 1,300 beds throughout England. Graphite sees the sale as providing an attractive return to investors while enabling the business to be developed further by Ashbourne.

Thomas H. Lee Parallel Fund V, L.P.

In May, Thomas H. Lee and CIVC Partners agreed to sell telephone directory company *TransWestern Publishing* to Yell Group Plc for a higher than expected USD 1.58bn. The sellers should receive around USD 900m in net proceeds, according to reports. Thomas H. Lee V invested in the company in 2001 as part of Transwestern's acquisition of World Pages. TransWestern is the publisher of 322 yellow page directories in the US and offers online yellow pages through World Pages. According to Thomas H. Lee, TransWestern was doing well and the business was generating a lot of cash, which, together with the good financing environment, encouraged potential buyers to offer attractive bids.

Blackstone Communication Partners I, L.P.

In May, six months after completing its acquisition of *New Skies Satellites N.V.,* the Blackstone Group took the satellite operating company public in a USD 200m initial public offering (IPO). Blackstone, which did not sell any shares during the IPO, acquired New Skies in November 2004 in a USD 983m transaction that included a USD 163m equity contribution. Based on the IPO price, Blackstone's equity stake in New Skies is now worth USD 300m. In addition, dividend distributions mean that most of the investment will have been cashed out. New Skies Satellites owns and operates five geostationary communications satellites that offer high-power global coverage for the delivery of video, internet, voice and data transmissions services virtually anywhere in the world.

Industri Kapital 2000, L.P.

Industri Kapital sold its majority stake in Dutch textile services company *Fortex* to ABN Amro Capital in June for an undisclosed sum. The Fortex investment is a good example of how Industri Kapital creates value, i.e. through merging businesses and restructuring the production platform. It had acquired the company from the family shareholders in 2000 and successfully transformed the business by acquiring and integrating three Belgium companies and one Dutch company. Fortex is now a leading provider of textile rental and laundry services to the healthcare and industrial sectors in the Benelux countries.

PORTFOLIO OVERVIEW

At the end of June 2005, the portfolio of Princess Private Equity Holding comprised commitments to 105 partnerships with investments in more than 2,500 underlying portfolio companies.

PRIMARY PARTNERSHIPS

Europe – Buyout
3i Europartners IIIA, L.P.
Astorg II, FCPR
BC European Capital Fund VIII, L.P.
Botts Capital Partners, L.P.
Bridgepoint Europe I "D", L.P.
Bridgepoint Europe III, L.P.
Graphite Capital Partners V "A", L.P.
Graphite Capital Partners V "F", L.P.
Industri Kapital 2000, L.P.
Italian Private Equity Fund III, L.P.
Mercapital Spanish Private Equity Fund II, L.P.
Nordic Capital IV, L.P.
Palamon European Equity "C", L.P.
Partners Private Equity, L.P.
Permira Europe II, L.P.
Quadriga Capital Private Equity Fund II, L.P.
Segulah II
Warburg Pincus International Partners, L.P.
Warburg Pincus Private Equity Fund IX, L.P.

Europe – Venture Capital
Abingworth Bioventures III, L.P.
Elderstreet Capital Partners, L.P.
European E-Commerce Fund
European Equity Partners (III), L.P.
European Equity Partners (IV), L.P.
GMT Communications Partners II, L.P.
Galileo III, L.P.
Index Ventures I (Jersey), L.P.
Merlin Biosciences Fund, L.P.
SV Life Science Fund II, L.P.
Wellington Partners II, L.P.

Europe – Special Situations

Coller International Partners III, L.P.
Doughty Hanson & Co. European Real Estate Fund, L.P.
ICG Mezzanine Fund 2000, L.P. No. 2
Mezzanine Management Fund III, L.P.
The Rutland Fund

North America – Buyout

American Securities Partners III, L.P.
Apollo Overseas Partners V, L.P.
Blackstone Communications Partners I, L.P.
Bruckmann, Rosser, Sherrill & Co. II, L.P.
Carlyle Partners III, L.P.
Fenway Partners Capital Fund II, L.P.
Heritage Fund III, L.P.
INVESCO U.S. Buyout Partnership Fund II, L.P.
Kohlberg TE Investors IV, L.P.
Silver Lake Partners, L.P.
T3 Partners, L.P.
TPG Partners III, L.P.
Thomas H. Lee Parallel Fund V, L.P.
Thomas Weisel Capital Partners, L.P.
Vestar Capital Partners IV, L.P.

North America – Venture Capital

Apax Excelsior VI, L.P.
Access Technology Partners, L.P.
Advanced Technology Ventures VI, L.P.
Austin Ventures VII, L.P.
Battery Ventures VI, L.P.
Cardinal Health Partners II, L.P.
Catterton Partners IV Offshore, L.P.
Chancellor V, L.P.
Columbia Capital Equity Partners III (Cayman), L.P.
Crescendo IV, L.P.
Dolphin Communications Fund, L.P.
Draper Fisher Jurvetson Fund VII, L.P.
EnerTech Capital Partners II, L.P.
Infinity Capital Venture Fund 1999, L.P.
INVESCO Venture Partnership Fund II, L.P.
INVESCO Venture Partnership Fund II-A, L.P.
Lightspeed Venture Partners VI, L.P.
Menlo Ventures IX, L.P.
Morgan Stanley Dean Witter Venture Partners IV, L.P.
Morgenthaler Partners VII, L.P.
Prism Venture Partners IV, L.P.
Sevin Rosen Fund VIII, L.P.
Sierra Ventures VIII-A, L.P.
Summit Ventures VI-B, L.P.
TA IX, L.P.
TH Lee Putnam Ventures Parallel, L.P.
TL Ventures V, L.P.
Vortex Corporate Development Fund, L.P.
Worldview Technology Partners III, L.P.
Worldview Technology Partners IV, L.P.

North America – Special Situations

Blackstone Mezzanine Partners, L.P.
Canterbury Mezzanine Capital II, L.P.
Levine Leichtman Capital Partners II, L.P.
OCM Opportunities Fund III, L.P.
OCM/GFI Power Opportunities Fund, L.P.
Pegasus Partners II, L.P.
Providence Equity Partners IV, L.P.
TCW/Crescent Mezzanine Partners III, L.P.

Rest of World – Buyout

Advent Latin American Private Equity Fund II, L.P.
Exxel Capital Partners VI, L.P.
Newbridge Asia III, L.P.
Polish Enterprise Fund IV, L.P.
Unison Capital Partners, L.P.

Rest of World – Venture Capital

Carmel Software Fund (Cayman), L.P.
Crimson Velocity Fund, L.P.
Genesis Partners II LDC
Jerusalem Venture Partners III, L.P.
Pitango Venture Capital Fund III

SECONDARY PARTNERSHIPS

Chase 1998 Pool Participation Fund, L.P.
Coller International Partners III NW1, L.P.
Coller International Partners III NW2, L.P.
Doughty Hanson & Co Fund III, L.P.
Partners Group SPP1 Limited
Second Cinven Fund (No. 2), L.P.
William Blair Capital Partners VI, L.P.

Commitments added this quarter are stated in italics.

CONSOLIDATED UNAUDITED STATEMENT OF INCOME

for the period from 1 April 2005 to 30 June 2005

	Notes	**01.04.2005–30.06.2005 USD**	**01.01.2005–30.06.2005 USD**	01.04.2004–30.06.2004 USD	01.01.2004–30.06.2004 USD
Net income from limited partnerships and directly held investments		**46,460,404**	**66,002,202**	14,185,163	23,161,617
- Dividend and interest income	5&11	2,953,370	7,697,669	2,078,258	3,770,723
- Revaluation	5&13	44,941,055	59,417,048	13,551,077	22,102,195
- Foreign exchange gains & losses	5&12	(1,434,021)	(1,112,515)	(1,444,172)	(2,711,301)
Net income from cash & cash equivalents		**102,804**	**191,796**	15,750	53,737
- Interest income	7&11	149,176	234,383	15,760	53,822
- Foreign exchange gains & losses	12	(46,372)	(42,587)	(10)	(85)
Operating income		**46,563,208**	**66,193,998**	14,200,913	23,215,354
Operating expenses		**(5'191'418)**	**(10,430,993)**	(5,407,623)	(10,955,291)
- Management fee	2	(2,868,027)	(5,884,703)	(3,262,317)	(6,632,818)
- Insurance fee	2	(2,187,120)	(4,320,836)	(2,040,330)	(4,068,701)
- Administration fee	2	(72,904)	(144,028)	(68,011)	(135,623)
- Tax exemption fee	3	(2,179)	(2,179)	-	(2,243)
- Other operating expenses		(61,188)	(79,247)	(36,965)	(115,906)
Financing cost		**(10,585,008)**	**(21,030,963)**	(9,363,855)	(18,513,907)
- Finance cost on convertible bond	9	(10,083,486)	(20,007,102)	(8,602,336)	(17,082,735)
- Amortization of transaction costs	9	(371,878)	(743,757)	(391,768)	(783,535)
- Interest expense	11	(129,644)	(280,104)	(369,751)	(647,637)
Surplus / (loss) for the financial period		**30,786,782**	**34,732,042**	(570,565)	(6,253,844)

CONSOLIDATED UNAUDITED BALANCE SHEET

as at 30 June 2005

	Notes		30.06.2005 USD		31.12.2004 USD
Assets					
Non-current assets					
Investments in limited partnerships and directly held investments	1&5		**581,419,324**		581,626,665
Current assets					
Other short-term receivables	6	**2,842,665**		422,993	
Hedging assets	5	**10,530,251**		-	
Cash and cash equivalents	7	**29,936,680**		16,605,856	
			43,309,596		17,028,849
Total assets			**624,728,920**		598,655,514
Equity					
Capital and reserves					
Issued capital	8	**100**		100	
Reserves		**(9,289,127)**		(44,021,169)	
Total equity			**(9,289,027)**		(44,021,069)
Liabilities					
Liabilities falling due after more than one year					
Convertible bond	9		**633,763,044**		613,012,186
Liabilities falling due within one year					
Hedging liabilities	5	**-**		18,704,616	
Other short-term payables	10	**254,904**		959,782	
Credit facility	16	**-**		10,000,000	
Rounding		**(1)**		(1)	
			254,903		29,664,397
Total liabilities and equity			**624,728,920**		598,655,514

The financial statements on pages 12 to 25 were approved by the board of directors on 8 August 2005 and are signed on its behalf by:

B. Human — Director

G. Hall — Director

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2005 to 30 June 2005 (all amounts in USD)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting period	100	263,086,949	(307,108,118)	**(44,021,069)**
Surplus / (loss) for the financial period	-	-	34,732,042	**34,732,042**
Rounding	-	-	-	**-**
Equity at end of reporting period	**100**	**263,086,949**	**(272,376,076)**	**(9,289,027)**

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2004 to 30 June 2004 (all amounts in USD)

	Share capital	Share premium	Accumulated surplus/(loss)	Total
Equity at beginning of reporting period	100	241,028,914	(285,217,686)	**(44,188,672)**
Surplus / (loss) for the financial period	-	-	(6,253,844)	**(6,253,844)**
Rounding	-	-	-	**-**
Equity at end of reporting period	**100**	**241,028,914**	**(291,471,530)**	**(50,442,516)**

CONSOLIDATED UNAUDITED CASH FLOW STATEMENT

for the period from 1 January 2005 to 30 June 2005

	Notes	01.01.2005–30.06.2005 USD	01.01.2004–30.06.2004 USD
Cash flow from operating activities			
- Management fee		**(5,884,703)**	(6,632,818)
- Administration fee		**(144,028)**	(135,623)
- Insurance fee		**(4,320,836)**	(4,068,701)
- Tax exemption fee		**(2,179)**	(2,243)
- Other operating expenses		**(79,247)**	(115,906)
- Proceeds from / (costs of) hedging activities	5	**(11,354,813)**	(18,995,855)
- (Increase) / decrease in other short-term receivables		**(2,419,672)**	61,050
- Increase / (decrease) in other short-term payables		**(188,334)**	(170,209)
- Interest and dividends received from limited partnerships and directly held investments	5	**7,697,669**	3,770,723
- Purchase of limited partnerships and directly held investments	5	**(46,502,755)**	(56,169,873)
- Distributions by limited partnerships and directly held investments	5	**87,134,575**	67,490,276
- Cash inflow from cash and cash equivalents	7	**234,383**	53,822
- Financing cost / credit line charges		**(796,647)**	(851,883)
Net cash from / (used in) operating activities		**23,373,413**	(15,767,240)
Cash flow from financing activities			
- Increase / (decrease) in credit facility	16	**(10,000,000)**	15,000,000
Net increase / (decrease) in cash and cash equivalents		**13,373,413**	(767,240)
Cash and cash equivalents at beginning of reporting period	7	**16,605,856**	18,790,091
Effects on cash and cash equivalents			
- movement in exchange rates		**(42,587)**	(85)
- rounding		**(2)**	(-)
Cash and cash equivalents at end of reporting period	7	**29,936,680**	18,022,766

1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Reporting), except for the following:

For the valuation of investments in limited partnerships, the directors refer to the most recent available information of the General Partner of the underlying investment. Owing to the diversified nature of the limited partnership investments and the variety of valuation bases adopted and quality of management information provided by the General Partners the values included in these financial statements do not necessarily comply with fair values as defined in IAS 39.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) (with the exception indicated above) and under the historical cost convention as modified by the revaluation of "financial assets and financial liabilities at fair value through profit and loss" and all derivative contracts. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

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.

Expenditure

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

Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates ("The Functional Currency"). This is the US dollar, which reflects the Company's primary activity of investing in US dollar limited partnerships and private equity. The Company has also adopted the US dollar as its presentation currency.

Transactions in foreign currencies are translated into US dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are included in the income statement.

Investments in limited partnerships and directly held investments

Investments in limited partnerships are valued initially at cost and thereafter at the most recent net asset value as reported by the underlying partnership and adjusted for subsequent net capital activity.

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

The Directors also review management information provided by underlying partnerships on a regular basis. In those cases where the management information is limited, the Directors work with the underlying partnership in an attempt to obtain more meaningful information.

Notwithstanding the above, the variety of valuation bases adopted and 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.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
(continued)

Amounts realized on the sale of investments will differ from the fair values reflected in these financial statements and the differences may be significant.

The directly held investments are being treated as "financial assets at fair value through profit or loss" and are therefore disclosed at fair value. For determining the fair value, the Directors refer to the most recent available information provided by the lead investor of the investment with any changes resulting from additional financing rounds or a diminution in value.

Any changes in the fair value of the investments are shown within "Net income from limited partnerships and directly held investments – Revaluation".

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

Short-term investments

Short-term investments are defined as investments with maturity between three and twelve months from the date of purchase and are being 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 cash invested in money market instruments with a maturity of up to three months from the date of purchase. The cash equivalent 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 cash and cash equivalents".

Accounting for derivative financial instruments and hedging activities

The Group's policy of hedging the value of non-US dollar investments against the US dollar does not qualify as hedge accounting as defined in IAS 39 (revised 2004). Derivative financial instruments are initially recognized in the balance sheet at cost 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 5.

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 20.

2 EXPENSES

Management fee

The management fee is paid quarterly in advance pursuant to the Investment Management Agreement between Princess Private Equity Holding Limited and Princess Management & Insurance Limited. 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.

Administration fee

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between Princess Private Equity Holding Limited and Partners Group (Guernsey) Limited. 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 is paid quarterly in advance pursuant to the Insurance Trust Agreement between Princess Private Equity Holding Limited and Princess Management & Insurance Limited. The quarterly insurance premium is calculated as 0.375% of Net Assets.

3 TAXATION STATUS

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

4 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain exposures.

(a) Foreign exchange risk

The Group operates and invests internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group may use forward contracts to hedge its exposure to foreign currency risk in connection with the functional currency.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets.

(c) Credit risk

The Group has no significant concentration of credit risk. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(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. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
(continued)

Fair value estimation

The fair value of publicly traded derivatives and "financial assets at fair value through profit or loss" securities is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the 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.

5 LIMITED PARTNERSHIPS AND DIRECTLY HELD INVESTMENTS

5.1 INVESTMENTS

	30.06.2005	31.12.2004
Balance at beginning of reporting period	**581,626,665**	570,883,233
Capital activity recorded at the transaction rate	**46,502,755**	113,750,668
Distributions	**(87,134,575)**	(164,513,747)
Revaluation	**59,417,048**	46,434,762
Foreign exchange gains / (losses)	**(18,992,569)**	15,071,749
Rounding	**-**	-
Balance at end of reporting period	**581,419,324**	581,626,665

5.2 DISTRIBUTIONS

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Dividends	**6,482,784**	2,812,855
Interest income	**1,214,885**	957,868
Rounding	**-**	-
	7,697,669	3,770,723
Return of investments	**87,150,466**	67,483,985
Gains / (losses) from sale of stock dirstributions	**(15,891)**	6,291
Total distributions	**94,832,244**	71,260,999

5.3 FOREIGN EXCHANGE

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Foreign exchange revaluation	**(18,992,569)**	(2,360,334)
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	**29,234,867**	18,644,888
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	**(11,354,813)**	(18,995,855)
Rounding	**-**	-
	(1,112,515)	(2,711,301)

At the balance sheet date, Princess Private Equity Holding Ltd. 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 Princess Private Equity Subholding Limited. The unrealized surplus / (loss) at the end of the reporting period is detailed below:

	USD	Rate	Value date	**Surplus / (loss) 30.06.2005**	Surplus / (loss) 31.12.2004
Sell GBP against USD	77,990,000	1.7225	15.04.2005		(5,949,724)
Sell EUR against USD	97,170,000	1.2300	15.04.2005		(10,052,750)
Sell CHF against USD	4,331,782	1.2466	15.04.2005		(431,987)
Sell SEK against USD	19,924,099	7.3780	15.04.2005		(2,191,997)
Sell JPY against USD	1,031,398	109.5600	15.04.2005		(78,158)
Sell GBP against USD	62,044,950	1.8802	14.10.2005	**3,062,301**	
Sell EUR against USD	84,664,125	1.3025	14.10.2005	**5,633,680**	
Sell SEK against USD	19,218,450	7.0245	14.10.2005	**1,834,270**	
				10,530,251	(18,704,616)

6 OTHER SHORT-TERM RECEIVABLES

	30.06.2005	31.12.2004
Distributions receivable	**2,842,665**	296,013
Sundry prepayments	**-**	126,980
	2,842,665	422,993

7 CASH AND CASH EQUIVALENTS

7.1 BALANCE

	30.06.2005	31.12.2004
Cash at banks	**29,936,680**	16,605,856
Rounding	**-**	-
Total cash and cash equivalents	**29,936,680**	16,605,856

7.2 INTEREST INCOME

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Interest received from cash at banks	**234,383**	53,822
Rounding	**-**	-
Total interest income from cash and cash equivalents	**234,383**	53,822

8 SHARE CAPITAL

	30.06.2005	31.12.2004
Authorized		
20,000,000 Class A shares of USD 0.01 each	**200,000**	200,000
10,000 Class B shares of USD 0.01 each	**100**	100
	200,100	200,100
Issued and fully paid		
10,000 Class B shares of USD 0.01 each	**100**	100

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
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Bondholders have the right to convert bonds into shares. Shares issued and allotted on conversion of the bonds will be fully paid Class A shares ("Ordinary shares") and will rank pari passu in all respects with all other Ordinary Shares in issue on the relevant conversion date, save that until the earlier of the date upon which 95 per cent of the principal amount of the bonds have been converted or final maturity ("Specified Date"), Ordinary Shares will not confer voting rights.

The holders of the Class B shares will be entitled to attend and vote at any general meetings. Following the Specified Date, each Class B share issued and outstanding will be automatically converted into a similar number of Ordinary shares without the holders thereof being obliged to make any payment therefor.

9 CONVERTIBLE BOND

	30.06.2005	31.12.2004
Balance at beginning of reporting period	**613,012,186**	573,378,820
Amortization of transaction costs	**743,757**	1,487,513
Finance cost on convertible bond	**20,007,102**	38,145,853
Rounding	**(1)**	-
Balance at end of reporting period	**633,763,044**	613,012,186

As at the balance sheet date the nominal value of the convertible bond outstanding was USD 700,000,000. The bond is not convertible into shares until on or after 1 January 2007, at the option of the investor, using the relevant conversion price. Princess Private Equity Holding Limited has entered into an insurance policy to ensure that it is provided with sufficient funds for the repayment of the principal upon redemption of the bond on 31 December 2010.

In accordance with IAS 32, Financial Instruments: Disclosure and Presentation, the net proceeds of the bond have been split between the liability and equity option components. The fair value of the equity component has been calculated as USD 264,834,825 using cash flows discounted at market interest rates for an equivalent period. This amount is classified as share premium and will remain part of the permanent equity of the Group. The remaining net proceeds, after the allocation of the liability related transaction costs, of USD 424,077,733 are allocated to the liability component. The liability, including transaction costs, is therefore stated at a discount of 1.6110% per quarter to the maturity value.

The result of this technical requirement in IAS 32 is that the discount is amortized through the income statement as a finance cost, on a yield to maturity basis, over the 7.5-year life of the bonds until the first conversion at 1 January 2007. This accounting treatment has no effect on either the economic position or the net asset value of the Group. The cumulative finance cost in retained earnings is offset by an equivalent credit in share premium. However, the required treatment clearly does have a significant impact on the net surplus or loss reported in the income statement over the year to the conversion of the bond.

10 OTHER SHORT-TERM PAYABLES

	30.06.2005	31.12.2004
Accrued interest	**254,904**	771,447
Other accruals	**-**	188,334
Rounding	**-**	1
	254,904	959,782

11 DIVIDEND AND INTEREST INCOME AND EXPENCE

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Interest income:		
- Dividend and interest income from limited partnerships and directly held investments	**7,697,669**	3,770,723
- Interest income from cash and cash equivalents	**234,383**	53,822
Total dividend and interest income	**7,932,052**	3,824,545
Total interest expense	**(280,104)**	(647,637)

12 FOREIGN EXCHANGE GAINS AND LOSSES

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Foreign exchange gains and losses on:		
- limited partnerships and directly held investments	**(1,112,515)**	(2,711,301)
- cash and cash equivalents	**(42,587)**	(85)
	(1,155,102)	(2,711,386)

13 REVALUATION

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Revaluation of:		
- limited partnerships and directly held investments	**59,417,048**	22,102,195

14 COMMITMENTS

	30.06.2005	31.12.2004
Total commitments translated at the rate prevailing at the balance sheet date	**1,184,629,805**	1,200,227,092
Unutilized commitments translated at the rate prevailing at the balance sheet date	**202,895,160**	222,820,371

15 DILUTED NET ASSETS PER ORDINARY SHARE

The net assets are calculated by deducting the Liabilities falling due within one year from the Total Assets. The 700,000 convertible bonds at a par value of USD 1,000 each, if converted at USD 100 per share would result in 7,000,000 shares.

	30.06.2005	31.12.2004
Net assets of the Group	**624,474,017**	568,991,117
Outstanding shares at the balance sheet date	**10,000**	10,000
Additional shares due to conversion	**7,000,000**	7,000,000
Net assets per share after conversion	**89.0833**	81.1685

16 CREDIT LINE FACILITY

Princess Private Equity Holding Limited 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.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
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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 year.

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

17 INSURANCE POLICY

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

18 NUMBER OF EMPLOYEES

At the balance sheet date no persons were employed by the Group.

19 RELATED PARTY TRANSACTIONS

Partners Group Holding owns 19.9 % of the share capital of GE & W AG which in turn holds 80.1 % of the Class B shares of Princess Private Equity Holding Limited.

GE & W AG, a majority of whose shares are held by the founding partners of Partners Group, and Swiss Reinsurance Company hold 8,010 and 1,990 Class B Shares respectively. Mr Wietlisbach, a Director of Princess Private Equity Holding Limited and a partner of Partners Group, controls 26.7 % of the issued share capital of GE & W AG.

Partners Group 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 with related parties

The following transactions were carried out with related parties:

i) Services

	01.01.2005-30.06.2005	01.01.2004-30.06.2004
Management fee paid to:		
- Princess Management & Insurance Limited	**5,884,703**	6,632,818
Insurance fee paid to:		
- Princess Management & Insurance Limited	**4,320,836**	4,068,701
Administration fee paid to:		
- Partners Group (Guernsey) Limited	**144,028**	135,623
Directors' fees paid	**11,719**	9,322

Princess Management & Insurance Limited is a company incorporated in Guernsey and owned by Partners Group and Swiss Reinsurance Company. Partners Group (Guernsey) Limited is a company incorporated in Guernsey and owned by Partners Group.

ii) Period-end balances

	30.06.2005	31.12.2004
Other short-term receivables from related parties:		
- Princess Management & Insurance Limited	-	126,980
Other short-term payables to related parties:		
- Princess Management & Insurance Limited	-	145,000

20 GROUP ENTERPRISES - SIGNIFICANT SUBSIDIARIES

	Country of incorporation	Ownership interest 30.06.2005	31.12.2004
Princess Private Equity Subholding Limited	Guernsey	100%	100%

21 PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

GE & W AG, a company organized under Swiss law holds the majority of the Class B shares. The majority of the shares of GE & W AG are held by the founding partners of Partners Group.

22 RISKS

It is expected, that a large proportion of the Group's investments will be made by investing in private equity funds (including affiliated funds). Many of the private equity funds may be wholly unregulated investment vehicles. In addition, certain of the private equity funds may have limited or no operational history and have no proven track record in achieving their stated investment objective.

The value of the investments in the private equity funds and the income from them may fluctuate significantly.

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 Group expects that a portion of the private equity investments to be made by the Group will be in a number of different countries and denominated in a number of different currencies. Any returns on and value of, such portion of the private equity investments made by the Group may, therefore, be materially affected by exchange rate fluctuations, local exchange control and other restrictions, including restrictions on the convertibility of the currencies in question and also by political and economic developments in the relevant countries.

NOTES

Princess

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Auditors

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Trading Information

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