Princess

QUARTERLY REPORT

for the period from 1 July 2005 to 30 September 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 NET CASH INFLOW IN THIRD QUARTER OF 2005

The recovery in the net asset value (NAV) of the Princess portfolio continued in the third quarter of 2005. The NAV now stands at 93.27%, up 4.7% on the quarter, bringing the year-to-date increase to 14.9% and the annual increase to 17.0%. The upward trend in the NAV has now been in evidence in every quarter since June 2003.

The improvement in the NAV reflects changes in the underlying value of the private equity investments, as reported by the partnerships in which Princess is invested, and the increase in cash and equivalents, which now total USD 88m. While all sectors contributed to the increase in the NAV, the most significant gains were recorded in the buyout sector, with Bruckmann, Rosser, Sherrill & Co II, Quadriga Capital Private Equity Fund II and Doughty Hanson & Co Fund III among others recording significant improvements in their reported NAV. In terms of regional split, the North American and Western European regions contributed equally to the change in the value of the underlying investments.

At the end of September, the mid-market price of the Princess bond stood at 82.75% and was up from 80.75% at the end of the previous quarter. It is now at its highest level since January 2002.

Princess funded capital calls totaling USD 26m from 62 partnerships during the third quarter of 2005. Nearly half of all the new investments were in the buyout sector, with significant capital calls coming from Fenway Partners Capital Fund II and Invesco U.S. Buyout Partnership Fund II. The venture sector accounted for a disproportionally large share of the capital calls, reflecting renewed activity in this sector. Capital calls in the year to date now total USD 74m.

Unfunded commitments increased to USD 241m by quarter end, despite the level of funded capital calls, as Princess made new commitments of USD 57m in the quarter. Commitments to 2005 vintage funds now total USD 93m.

Distributions reached a record level in the third quarter, with some USD 74m received in distributions from a total of 56 partnerships. The buyout sector accounted for two thirds of the distributions. Major distributions stemmed from 3i Europartners III (Yellow Brick Road), Doughty Hanson & Co Fund III (RHM), and Silver Lake Partners and T3 Partners (Seagate). The Rutland Fund (Interfloor Group) made a significant contribution in the special situations sector, as did Cardinal Health Partners II (Momenta Pharmaceuticals) in the venture sector. During the quarter a large part of the proceeds were received from the sale of substantially all the assets of Botts Capital Partners to a secondary buyer.

As would be expected given the steady level of capital calls and the increasing level of distributions, Princess has benefited from a strongly positive cash flow. During the past quarter, there was a record USD 48m net cash inflow from private equity activities. The portfolio has now been cash positive in seven out of the last eight quarters. The existing cash balances together with the anticipated positive cash flow over the coming quarters should be more than sufficient to fund new capital calls, both from earlier and 2005 vintage funds.

NAV AND PRICE DEVELOPMENT SINCE INCEPTION

GLOBAL PRIVATE EQUITY TRANSACTIONS AT A NEW RECORD HIGH

Many private equity funds have been extremely successful in their recent fundraising efforts. The newly raised funds, predominantly in the buyout segment, are much larger than predecessor funds. The vast pool of new money being raised lately has led to concerns that there is too much capital available for investing.

The most recent figures on private equity transactions closed during the first six months of 2005, however, show a significant rise in global investment activity. According to data published by Dealogic, a research group, the value of private equity transactions reached a record USD 198.3bn in the first half year of 2005. This is the highest figure ever recorded since Dealogic started collating data in 1995.

The increase was the most dramatic in Europe, where the value of private equity deals shot up 82% compared to the first half of 2004. This was possible due to some very large buyout transactions, including the second and fourth largest European buyout deals on record (i.e. Amadeus Global Travel and ISS A/S, respectively).

Thus, the increase in capital being raised has resulted in more capital being deployed by the private equity groups, which dispels concerns about a growing "capital overhang" (i.e. capital that has been raised but not yet invested).

Given the steady economy and the abundant debt financing, the current pace of investment activity is likely to continue through the remainder of 2005 and into 2006.

MARKET TRENDS

Merger and acquisitions (M&A) are in vogue again. Strategic buyers are becoming increasingly active and seeking out M&A opportunities. Having taken out all they can on the cost side and armed with stronger balance sheets, corporates are seeking to enhance returns through growth. They are focusing on achieving this through acquisitions of companies with a good "fit". How does their return to the market affect the private equity industry, which has been acting as a constant buyer and seller of those privately held companies now being targeted by strategic buyers?

THE RETURN OF THE STRATEGIC BUYER

M&As have finally made their long-awaited comeback. According to preliminary figures from Thomson Financial, deals worth a total of USD 1,800bn were announced worldwide in the first nine months of this year. This is an increase of 43% on the same period last year and more than for the full year in 2001, 2002 and 2003. Low borrowing costs, good corporate earnings and a growing economy have contributed to new M&A strength. Moreover, these conditions are expected to hold until the end of the year. If this turns out to be the case, 2005 may end up being one of the strongest years for M&As in recent memory.

While financial buyers were attracting attention at the beginning of the year on account of some mega deals, strategic buyers have only just started to return to the market. Strategic or corporate buyers acquire other businesses as a means of expanding their own business and they tend to invest with a long-term perspective. Typically, they have no intention of ever selling the newly acquired company. Financial buyers, on the other hand, aim to acquire companies that are undervalued, make them more profitable and then sell them off for a profit. They usually have a specific time plan (e.g. two to four years) for selling or otherwise exiting an investment.

INCREASED APPETITE FOR ACQUISITIONS

Following the prolonged economic expansion, many companies are now in the position of having record-high cash balances. They have already taken out all they can on the cost side. The question now is how else can they generate the returns? The answer, in part, is through acquisitions in growth areas. Some major strategic statements have been made – be it through larger deals, like Procter & Gamble's acquisition of Gillette, or through smaller deals, such as eBay's acquisition of Skype – and the trend is expected to continue.

ROOM FOR ALL

A large number of the acquisitions that financial sponsors have made over the past few years are of interest to strategic buyers now because the latter are in a much stronger financial position than they were just two or three years ago. With strategic buyers back in the market, private equity firms are likely to find buying companies more difficult. This, however, is not necessarily a bad thing for the industry. Deal flow is such that there is room for financial and strategic sponsors alike. Indeed, going by figures for the first half of this year, buyout shops are on course to easily beat 2004's record-breaking deal volume numbers and to exceed the number of transactions completed two years ago by more than half.

STRATEGIC AND FINANCIAL BUYERS TEAM UP

It is not always a question of financial *or* strategic buyer. As several examples have recently shown, teaming up can be an option as well. Although the two groups have different aims and motives, collaboration can be lucrative for both. A strategic buyer may benefit from a financial buyer's ability to raise capital should it lack the necessary capital to acquire the target outright. A strategic buyer may also benefit from the financial buyer's deal-making expertise and its good relationships with the armies of accountants and attorneys necessary to examine potential targets and structure deals properly.

A financial buyer, in turn, can benefit from teaming up with a corporate buyer. A strategic buyer brings management expertise to the table and may realize real business synergies from the acquisition. Most importantly, however, the strategic buyer ultimately wants to own the target in its entirety and so can provide the financial buyer with a "ready exit strategy", allowing it to realize the profit on the investment within a certain time-frame.

COMPETING WITH PRIVATE EQUITY INVESTORS

The corporates' return to M&As is rather different to their last foray in the late 90s, when strategic buyers were bereft of any strategy. Today, corporations are much more focused when it comes to acquisitions. After a period of cost-cutting and having to pare back non-core assets, they are intent on not straying too far from their primary business. They are focused on ensuring a good fit with existing operations and on the potential benefits going forward. If the target company offers a good "fit" – by filling in gaps in the product range or complementing existing product lines, for instance – strategic buyers can be very aggressive, paying very attractive multiples.

When pursuing strategic acquisitions, corporate buyers can end up competing – sometimes aggressively – against financial sponsors. A recent example is Whirlpool's fierce bid for Maytag against an international group of private equity investors. It ended with Whirlpool being willing to pay a significantly higher price than the financial buyers.

A SELLERS' MARKET

For private equity investors looking to exit existing investments, robust demand and hence competition on the buy side is positive news. Pressure on prices from the buyers' side leads to higher valuations for those selling.

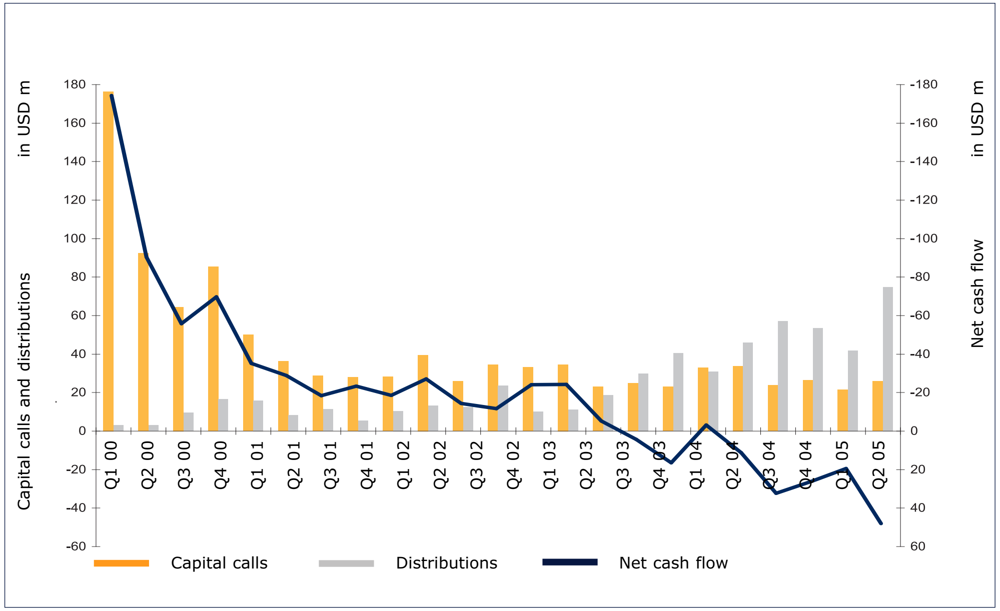
In realizing their investments, private equity investors are also playing a vital role in providing healthy acquisition opportunities for strategic buyers. For the past few years, private equity firms have financed companies which are now being offered in the market to strategic investors as acquisition opportunities. A good example of this is the German Axel Springer Verlag's acquisition of private equity backed ProSiebenSat.1. The latest figures from Dealogic confirm that trade buyers are back in the market and buying private equity backed assets: global sales of private equity sponsored companies to trade buyers have doubled in value over the past twelve months.

All in all, although the return of the strategic buyer to the marketplace is bringing more competition, it is also providing more opportunities for private equity investors – on the investment and exit sides alike.

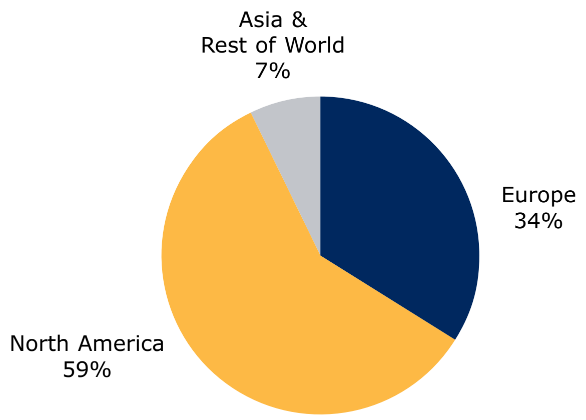
PORTFOLIO ALLOCATION

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

The portfolio has benefited from significant cash inflows and the cash balances that have been accumulated will be available to fund capital calls from commitments made in 2005 and earlier vintages.

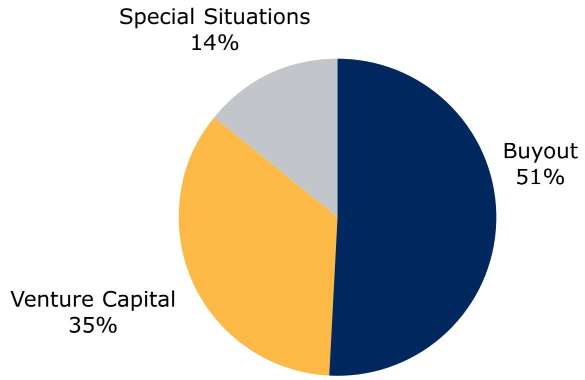


INVESTMENTS BY GEOGRAPHIC REGION*



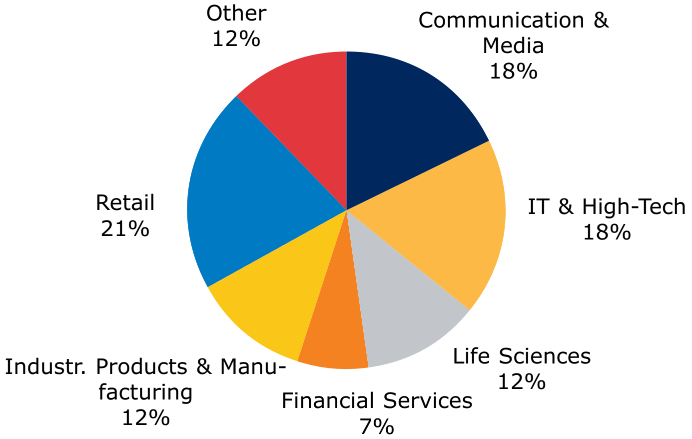
* based on value of private equity investments

INVESTMENTS BY FINANCING STAGE*



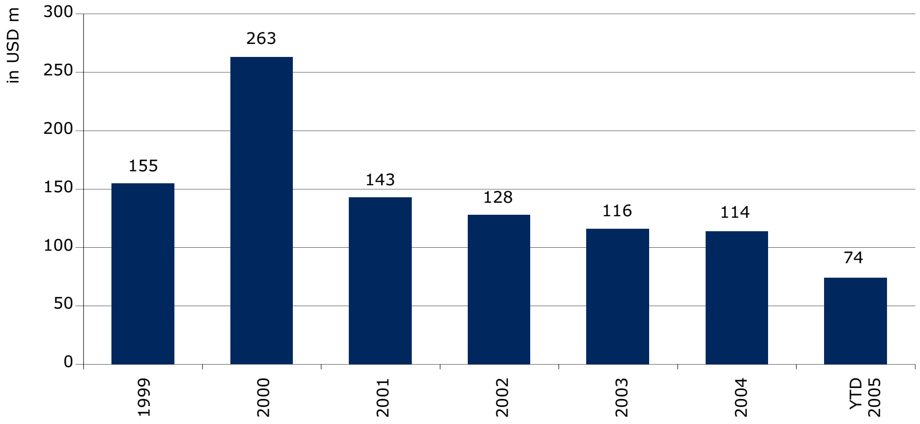
* based on value of private equity investments

INVESTMENTS BY INDUSTRY SECTOR*



* based on value of private equity investments

CAPITAL CALLS PER YEAR



PORTFOLIO

In the third quarter of 2005, Princess made commitments to four new partnerships.

Princess funded capital calls for USD 26m and received a record USD 74m in distributions during the quarter.

NEW COMMITMENTS

In July, Princess committed USD 10m to *Sterling Investment Partners II*, L.P. The fund will continue the strategy of its predecessor fund, focusing on equity investments in buyouts and taking private transactions. The fund will target investments in small and middle market US-based companies across a diverse range of industries.

In August, Princess made a commitment of USD 25m to *Apollo Investment Fund VI, L.P.* At just under USD 10bn, it is the largest fund ever raised by Apollo since its establishment in 1990. The fund will continue the investment strategy of its predecessor funds, investing in large buyouts as well as complex distressed buyout transactions. The majority of the fund's investments will be in North America, while up to 25% may be invested in Western Europe.

Princess committed EUR 10m in August to the *Candover 2005 Fund*, the ninth fund raised by Candover Partners. Established in 1980, Candover originally invested in small and mid-cap buyouts in the UK. Since 1994 it has focused its strategy on mid to large-cap European buyouts. Since 1980 Candover has raised EUR 5.3bn of committed capital and now operates through offices in London, Paris and Düsseldorf.

In September, Princess committed USD 10m to *Peninsula Fund IV, L.P.,* which will act as the lead investor in 20 to 40 mezzanine investments in lower middle market companies based in the US or Canada.

SELECTED NEW INVESTMENTS

Apollo Overseas Partners V, L.P.
Apax Excelsior VI, L.P.

Intelsat Ltd., owned by four private equity firms including Apollo Management and Apax Excelsior, agreed in August to acquire PanAmSat Holding Corporation for USD 3.2bn. The transaction will create a premier satellite company, using 53 satellites and serving clients in more than 220 counties, giving Intelsat the advantage of size and diversity which offer the greatest opportunity for growth. PanAmSat is currently owned by two Princess partnerships, namely Carlyle Partners and Providence Equity Partners, and KKR, which bought the company in 2004. They retained a 58% stake in the company following its IPO earlier this year. Following its sale, they should see a 4 times return on their original investment of USD 550m.

Blackstone Communications Partners I, L.P.
TPG Partners III, L.P.

In August, the USD 11.3bn acquisition of *SunGard Data Systems Inc.* by a consortium of private equity firms including Texas Pacific Group and Blackstone Group was completed. SunGard is a global leader in integrated software and processing solutions primarily for financial services and the leading provider of information availability services. SunGard serves more than 20,000 customers in over 50 countries. The transaction was financed through a combination of debt financing and equity contributed by the consortium partners. The transaction is the largest leveraged buyout since KKR acquired RJR Nabisco in 1989 for USD 31.3bn.

SELECTED NEW EXITS

Providence Equity Partners IV, L.P.
Thomas H. Lee Parallel Fund V, L.P.

In August, the group of private equity investors led by media mogul Haim Saban and including Princess partnerships Providence and Thomas H. Lee has agreed to sell German private TV broadcaster *ProSiebenSat.1 Media AG* to German newspaper publisher Axel Springer for a reported EUR 2.5bn. The private equity investors originally acquired ProSiebenSat.1 in August 2003 from insolvent German media group Kirch Media for EUR 525m and now stand to make a reported 3 times return on their original investment. The transaction is subject to antitrust and media authority regulatory approval, which is expected to take four to six months.

Doughty Hanson & Co Fund III, L.P.

In August, Doughty Hanson announced the sale of *Knowles Electronic* to diversified industrial manufacturer Dover Corporation for USD 750m. Knowles Electronic is a leading manufacturer of technologically advanced micro-acoustic component products and has a significant share in the global hearing aid components market. It also manufactures acoustic components used in mobile phones, telephony and internet applications. Doughty Hanson worked with the company to achieve cost reductions and develop new products. It achieved a 1.7 times return on its initial investment.

Apollo Overseas Partners V, L.P.

In August, specialist integrated water treatment company *Nalco Holdings Co.* completed a secondary share offering which, including the exercising of the Greenshoe option by the underwriters, generated proceeds of USD 617m. The selling stockholder was Nalco LLC, which is owned by Apollo Management along with other private equity firms. The investors acquired the firm from Suez SA in November 2003. They recouped their initial equity investment through dividend payments during the first year of ownership. The proceeds from the secondary offering represent pure profit for the investors, who retain a 40% shareholding valued at just under USD 1bn.

Polish Enterprise Fund IV, L.P.

In September, Polish Enterprise Fund, managed by Enterprise Investors, announced its full exit from *LPP.SA*, a leading fashion retailer in Central and Eastern Europe, in a series of block transactions on the Warsaw Stock Exchange. LPP has a network of more than 170 stores across the region selling well-known brands. Enterprise Investors contributed to the company's success by helping to develop its corporate governance and investor relations strategy. Polish Enterprise Fund IV acquired a 13% stake in LPP in May 2003. The USD 61m in proceeds translates into a 4.5 times investment multiple and an IRR of 90%.

PORTFOLIO OVERVIEW

At the end of September 2005, the portfolio of Princess Private Equity Holding comprised commitments to 109 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.
Candover 2005 Fund
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.

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.
Apollo Investment Fund VI, 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.
Sterling Investment Partners II, 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.
Warburg Pincus Private Equity Fund IX, 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 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.
Peninsula Fund IV, L.P.
Providence Equity Partners IV, L.P.
TCW/Crescent Mezzanine Partners III, L.P.

Asia & 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.

Asia & 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 July 2005 to 30 September 2005

	Notes	**01.07.2005–30.9.2005 USD**	**01.01.2005–30.9.2005 USD**	01.07.2004–30.9.2004 USD	01.01.2004–30.9.2004 USD
Net income from limited partnerships and directly held investments		**34,421,411**	**100,423,613**	11,912,385	35,074,002
- Dividend and interest income	5&11	5,843,007	13,540,676	2,902,410	6,673,132
- Revaluation	5&13	28,092,042	87,509,090	9,932,496	32,034,692
- Foreign exchange gains & losses	5&12	486,362	(626,153)	(922,521)	(3,633,822)
Net income from cash & cash equivalents		**571,460**	**769,120**	31,882	85,619
- Interest income	7&11	347,802	582,185	31,866	85,688
- Foreign exchange gains & losses	12	223,658	186,935	16	(69)
Operating income		**34,992,871**	**101,192,733**	11,944,267	35,159,621
Operating expenses		**(5,499,409)**	**(15,936,265)**	(5,340,881)	(16,296,171)
- Management fee	2	(2,941,180)	(8,825,884)	(3,150,676)	(9,783,494)
- Insurance fee	2	(2,341,778)	(6,662,614)	(2,071,919)	(6,140,619)
- Administration fee	2	(78,059)	(222,087)	(69,064)	(204,687)
- Tax exemption fee	3	-	(2,179)	-	(2,243)
- Other foreign exchange gains & losses	12	(44,371)	(50,234)	-	-
- Other operating expenses		(94,021)	(173,267)	(49,222)	(165,128)
Financing cost		**(10,748,878)**	**(31,779,842)**	(9,575,007)	(28,088,913)
- Finance cost on convertible bond	9	(10,245,932)	(30,253,034)	(8,726,027)	(25,808,762)
- Amortization of transaction costs	9	(371,878)	(1,115,635)	(391,768)	(1,175,303)
- Interest expense	11	(131,068)	(411,173)	(457,212)	(1,104,848)
Surplus / (loss) for the financial period		**18,744,584**	**53,476,626**	(2,971,621)	(9,225,463)

CONSOLIDATED UNAUDITED BALANCE SHEET

as at 30 September 2005

	Notes		30.09.2005 USD		31.12.2004 USD
Assets					
Non-current assets					
Investments in limited partnerships and directly held investments	1&5		**566,124,705**		581,626,665
Current assets					
Other short-term receivables	6	**1,531,974**		422,993	
Hedging assets	5	**12,247,635**		-	
Cash and cash equivalents	7	**74,318,071**		16,605,856	
			88,097,680		17,028,849
Total assets			**654,222,385**		598,655,514
Equity					
Capital and reserves					
Issued capital	8	**100**		100	
Reserves		**9,455,457**		(44,021,169)	
Total equity			**9,455,557**		(44,021,069)
Liabilities					
Liabilities falling due after more than one year					
Convertible bond	9		**644,380,854**		613,012,186
Liabilities falling due within one year					
Hedging liabilities	5	**-**		18,704,616	
Other short-term payables	10	**385,973**		959,782	
Credit facility	16	**-**		10,000,000	
Rounding		**1**		(1)	
			385,974		29,664,397
Total liabilities and equity			**654,222,385**		598,655,514

The financial statements on pages 12 to 25 were approved by the board of directors on 28 October 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 September 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	-	-	53,476,626	**53,476,626**
Rounding	-	-	-	**-**
Equity at end of reporting period	**100**	**263,086,949**	**(253,631,492)**	**9,455,557**

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January 2004 to 30 September 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	-	-	(9,225,463)	**(9,225,463)**
Rounding	-	-	-	**-**
Equity at end of reporting period	**100**	**241,028,914**	**(294,443,149)**	**(53,414,135)**

CONSOLIDATED UNAUDITED CASH FLOW STATEMENT

for the period from 1 January 2005 to 30 September 2005

	Notes	**01.01.2005– 30.09.2005 USD**	01.01.2004– 30.09.2004 USD
Cash flow from operating activities			
- Management fee		**(8,825,884)**	(9,783,494)
- Administration fee		**(222,087)**	(204,687)
- Insurance fee		**(6,662,614)**	(6,140,618)
- Tax exemption fee		**(2,179)**	(2,243)
- Other operating expenses		**(173,267)**	(165,128)
- Proceeds from / (costs of) hedging activities	5	**(11,354,813)**	(18,876,118)
- (Increase) / decrease in other short-term receivables		**(1,159,215)**	(51,288)
- Increase / (decrease) in other short-term payables		**(188,334)**	(215,209)
- Interest and dividends received from limited partnerships and directly held investments	5	**13,540,676**	6,673,132
- Purchase of limited partnerships and directly held investments	5	**(72,258,071)**	(89,954,909)
- Distributions by limited partnerships and directly held investments	5	**155,045,531**	110,181,329
- Cash inflow from cash and cash equivalents	7	**582,185**	85,688
- Financing cost / credit line charges		**(796,647)**	(1,334,658)
Net cash from / (used in) operating activities		**67,525,281**	(9,788,203)
Cash flow from financing activities			
- Increase / (decrease) in credit facility	16	**(10,000,000)**	9,000,000
Net increase / (decrease) in cash and cash equivalents		**57,525,281**	(788,203)
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		**186,935**	(69)
- rounding		**(1)**	(2)
Cash and cash equivalents at end of reporting period	7	**74,318,071**	18,001,817

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 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 the Company 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 the Company 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 the Company 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
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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

	30.09.2005	31.12.2004
Balance at beginning of reporting period	**581,626,665**	570,883,233
Capital activity recorded at the transaction rate	**72,258,071**	113,750,668
Distributions	**(155,045,531)**	(164,513,747)
Revaluation	**87,509,090**	46,434,762
Foreign exchange gains / (losses)	**(20,223,591)**	15,071,749
Rounding	**1**	-
Balance at end of reporting period	**566,124,705**	581,626,665

5.2 DISTRIBUTIONS

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Dividends	**10,955,482**	5,004,485
Interest income	**2,585,194**	1,668,647
Rounding	**-**	-
	13,540,676	6,673,132
Return of investments	**155,132,080**	110,175,795
Gains / (losses) from sale of stock distributions	**(86,549)**	5,534
Total distributions	**168,586,207**	116,854,461

5.3 FOREIGN EXCHANGE

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Foreign exchange revaluation	**(20,223,591)**	(496,154)
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	**30,952,251**	15,738,450
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	**(11,354,813)**	(18,876,118)
	(626,153)	(3,633,822)

At the balance sheet date, the Company 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 period is detailed below:

	USD	Rate	Value date	**Surplus/(loss) 30.09.2005**	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	**3,831,795**	-
Buy GBP against USD	(5,290,500)	1.7635	14.10.2005	**1,605**	-
Sell EUR against USD	84,664,125	1.3025	14.10.2005	**6,462,235**	-
Sell EUR against USD	14,671,200	1.2226	14.10.2005	**233,928**	-
Sell SEK against USD	19,218,450	7.0245	14.10.2005	**1,779,832**	-
Buy SEK against USD	(5,228,758)	7.6500	14.10.2005	**(61,760)**	-
				12,247,635	(18,704,616)

6 OTHER SHORT-TERM RECEIVABLES

	30.09.2005	31.12.2004
Distributions receivable	**1,531,974**	296,013
Sundry prepayments	**-**	126,980
	1,531,974	422,993

7 CASH AND CASH EQUIVALENTS

7.1 BALANCE

	30.09.2005	31.12.2004
Cash at banks	**74,318,071**	16,605,856
Total cash and cash equivalents	**74,318,071**	16,605,856

7.2 INTEREST INCOME

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Interest received from cash at banks	**582,185**	85,688
Total interest income from cash and cash equivalents	**582,185**	85,688

8 SHARE CAPITAL

	30.09.2005	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

	30.09.2005	31.12.2004
Balance at beginning of reporting period	**613,012,186**	573,378,820
Amortization of transaction costs	**1,115,635**	1,487,513
Finance cost on convertible bond	**30,253,034**	38,145,853
Rounding	**(1)**	-
Balance at end of reporting period	**644,380,854**	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. The Company 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

	30.09.2005	31.12.2004
Accrued interest	**385,973**	771,447
Other accruals	**-**	188,334
Rounding	**-**	1
	385,973	959,782

11 DIVIDEND AND INTEREST INCOME AND EXPENSE

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Interest income:		
- Dividend and interest income from limited partnerships and directly held investments	**13,540,676**	6,673,132
- Interest income from cash and cash equivalents	**582,185**	85,688
Total dividend and interest income	**14,122,861**	6,758,820
Total interest expense	**(411,173)**	(1,104,848)

12 FOREIGN EXCHANGE GAINS AND LOSSES

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Foreign exchange gains and losses on:		
- limited partnerships and directly held investments	**(626,153)**	(3,633,822)
- cash and cash equivalents	**186,935**	(69)
- other	**(50,234)**	-
	(489,452)	(3,633,891)

13 REVALUATION

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Revaluation of:		
- limited partnerships and directly held investments	**87,509,090**	32,034,692

14 COMMITMENTS

	30.09.2005	31.12.2004
Total commitments translated at the rate prevailing at the balance sheet date	**1,241,423,486**	1,200,227,092
Unutilized commitments translated at the rate prevailing at the balance sheet date	**240,896,310**	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.

	30.09.2005	31.12.2004
Net assets of the Group	**653,836,411**	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	**93.2720**	81.1685

16 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 the Subholding.

NOTES TO THE CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
(continued)

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, the Company 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 the Company.

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 the Company 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

	01.01.2005-30.09.2005	01.01.2004-30.09.2004
Management fee paid to:		
- Princess Management & Insurance Limited	**8,825,883**	9,783,494
Insurance fee paid to:		
- Princess Management & Insurance Limited	**6,662,614**	6,140,618
Administration fee paid to:		
- Partners Group (Guernsey) Limited	**222,087**	204,687
Directors' fee paid	**16,229**	13,940

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

	30.09.2005	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 30.09.2005	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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