



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE
ATTENTION**

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

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

**PRINCESS PRIVATE EQUITY HOLDING LIMITED
("the Company")**

(A closed-ended investment company incorporated in Guernsey with registered number 35241 under the provisions of The Companies (Guernsey) Law, 2008 (as amended))

Notice of Annual General Meeting to consider and if thought fit pass resolutions authorising the following: receive and adopt the Report of the Directors and the Financial Statements for the year ended 31 December 2008, re-appointment of Auditors, re-election of Directors, a proposal to fix the remuneration of the Directors of the Company, a proposal to authorise the Company to purchase its own shares, and a proposal to adopt new Memorandum and Articles of Incorporation in place of the current Memorandum and Articles of Association.

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

Notice to the holders of the Ordinary Shares (the "Shareholders") of the Company of the Annual General Meeting (the "Meeting") is included with this document. The Meeting is to be held at Third Floor, Tudor House, Le Bordage, St Peter Port, Guernsey, Channel Islands at 11:30 am on 7 May 2009.

PRINCESS PRIVATE EQUITY HOLDING LIMITED

Directors:

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

Registered Office:

Tudor House
Le Bordage
St. Peter Port
Guernsey

3 April 2009

Directors' Interests:

Urs Wietlisbach – 194,000 shares deliverable in form of co-ownership interest

To:

The Holders of Ordinary Shares in Princess Private Equity Holding Limited (the “Company”)

Dear Shareholder

Annual General Meeting

I am writing to inform you that the Annual General Meeting of the Company will be held on 7 May 2009 at 11:30am at the registered office of the Company to deal with the following:

1. to receive and adopt the Financial Statements of the Company for the year ended 31 December 2008 together with the Report of the Directors and Auditors thereon;
2. to re-appoint PricewaterhouseCooper CI LLP as auditors to the Company for the year ending 31 December 2009, together with the fixing of their remuneration by the Directors;
3. to re-elect Mr Andreas Billmaier as Director of the Company;
4. to re-elect Mr Urs Wietlisbach as a Director of the Company;
5. to fix the remuneration of the Directors of the Company;
6. to authorise the Company to make market purchases of its own shares;
7. to adopt new Memorandum and Articles of Incorporation.

Directors' Report and Financial Statements – Ordinary Resolution

The Directors' Report and audited Financial Statements for the year ended 31 December 2008 are included with this document.

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

Appointment of Auditors and fixing of their remuneration – Ordinary Resolution

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

An ordinary resolution to re-appoint PwC as Auditors of the Company for the year ending 31 December 2009 together with the fixing of their remuneration will be proposed at the Meeting.

Re-election of Directors – Ordinary Resolution

To re-elect Mr Andreas Billmaier and Mr Urs Wietlisbach as Directors of the Company.

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

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

For the remuneration of the Directors – Ordinary Resolution

An ordinary resolution to fix the remuneration of the Directors at €50,000 in respect of the Chairman and €40,000 for each of the remaining independent non-executive directors will be proposed.

Authority to Make Purchases of Own Shares – Special Resolution

A special resolution to authorise the Company to make market purchases of Ordinary Shares in the Company in accordance with Section 315 of the Companies (Guernsey) Law, 2008 (as amended) will be proposed. The resolution will provide that:

- (a) the maximum number of Ordinary Shares authorised to be purchased will be 14.99 per cent. of the issued Ordinary Shares of each currency class in issue (excluding Ordinary Shares of that class held in treasury) as at the date of the Annual General Meeting;

- (b) the minimum price to be paid for Market Purchases for each Ordinary Share will be EUR0.01 and the maximum price to be paid for Market Purchases will not be more than the higher of (i) 5 per cent. above the average market value of the Ordinary Shares of that class for the 5 business days before the purchase is made and (ii) the higher of the price of the last independent trade and highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial investments (No. 2233/2003) and otherwise in accordance with The Companies (Guernsey) Law, 2008 (as amended);

The authority will be expressed to expire on 7 May 2010.

If this resolution is passed the Company will have the authority to purchase its own shares in accordance with The Companies (Guernsey) Law, 2008 (as amended) and the parameters set out above. However, the Company will not, by virtue of the above resolution, be obliged to purchase its own shares.

Adoption of new Memorandum and Articles of Incorporation – Special Resolution

A resolution that the Company adopt new Memorandum and Articles of Incorporation in place of the current Memorandum and Articles of Association will be proposed.

A copy of the new Memorandum and Articles of Incorporation will be available for viewing at the Registered Office and at the office of Messrs Carey Olsen, 8-10 Throgmorton Avenue, London EC2N 2DL from the date of the publication of this notice and for fifteen minutes prior to the start of the Annual General Meeting.

The Memorandum and Articles have been amended to reflect provisions of the recently introduced Companies (Guernsey) Law, 2008 (as amended).

Please note that the notice period for the calling of General Meetings of the Company has been reduced to 10 days from the current 21 days in the new Articles of Incorporation. The ordinary business of Annual General Meetings has been slightly amended to remove the requirement to fix the remuneration of the Board of Directors going forward, and the provisions for making scrip dividends have been amended to reflect the requirements of the Listing Rules.

The Meeting and Resolutions

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

If, within fifteen minutes from the appointed time for the Meeting, a quorum is not present, then the Meeting will be adjourned until the same time on 14 May 2009 at the same address. At any adjourned meeting, Shareholders present in person or by proxy will form a quorum whatever the number of Ordinary Shares held by them. Again, at any adjourned meeting a majority of not less than seventy-five per cent. (75%) of the total

number of votes cast is required to pass the Special Resolutions. The majority required for the passing of the Ordinary Resolutions is more than fifty per cent. (50%) of the total number of votes cast for and against each resolution.

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

Action Required of Shareholders

The registered Shareholder of the Ordinary Shares is required to complete the attached proxy form and ensure it reaches the Company's transfer agent, Capita Registrars, by no later than 48 hours before the time fixed for the Meeting. Voting may also take place by way of the CREST proxy voting mechanism.

Full details in respect of the completion of the proxy form are printed on both the Notice and proxy form included with this document.

If you have any questions regarding the completion of the proxy form, or the contents of this circular please contact princess@princess-privateequity.net.

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

The Directors believe that all resolutions contained in the notice of the Annual General Meeting are likely to promote the success of the Company and are in the best interests of its members as a whole. Accordingly, the directors unanimously recommend Shareholders to vote in favour of all the resolutions.

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

Yours faithfully

**Mr Colin Maltby
Chairman**

Appendix 1

Andreas Billmaier (*German, born 1964*) has been division manager, head of participation management and private equity and member of several steering committees of Nuernberger Insurance Group since 2000. Prior to this, he has worked as controller and auditor with Nuernberger Insurance Group since his graduation in December 1993. Prior to his studies, he worked as client adviser with Deutsche Bank. Mr Billmaier is an advisory board member in several private equity and real estate fund and fund-of-funds. Mr Billmaier holds a degree in economics (banking, taxes, auditing, controlling).

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

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

NOTICE is hereby given pursuant to the Articles of Association of PRINCESS PRIVATE EQUITY HOLDING LIMITED (the "Company") that the Annual General Meeting of the Company will take place at 11.30 am on Thursday, 7 May 2009 at Third Floor, Tudor House, Le Bordage, St Peter Port, Guernsey for the purpose of considering and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. THAT the Financial Statements of the Company for the year ended 31 December 2008 together with the Report of the Directors and Auditors thereon is received and adopted.
2. THAT the re-appointment of PricewaterhouseCoopers CI LLP as Auditors of the Company for the year ending 31 December 2009 with their remuneration for that period to not exceed CHF125,000 is hereby approved.
3. THAT Mr Andreas Billmaier be re-elected as a Director of the Company.
4. THAT Mr Urs Wietlisbach be re-elected as a Director of the Company.
5. THAT the remuneration of the Directors be and is fixed at €50,000 in respect of the Chairman and €40,000 for each of the remaining independent non-executive Directors.

SPECIAL RESOLUTIONS

6. THAT the Company be and is hereby authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008 (as amended) to make market purchases of Ordinary Shares in the Company ("Market Purchases") provided that:
 - (a) The maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the issued Ordinary Shares of each currency class in issue (excluding Ordinary Shares of that class held in treasury) as at the date of the Annual General Meeting; and
 - (b) The minimum price to be paid for Market Purchases for each Ordinary Share is EUR0.01 and the maximum price to be paid for Market Purchase will not be more than the higher of (i) 5 per cent. (5%) above the average market value of the Ordinary Shares of that class for the 5 business days before the purchase is made and (ii) the higher of the price of the last independent trade and highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial investments (No. 2233/2003) and otherwise in accordance with The Companies (Guernsey) Law, 2008 (as amended), provided that;
 - (c) such authority shall expire on 7 May 2010.
7. THAT a new Memorandum and Articles of Incorporation (a copy of which will be produced to the meeting and initialed for the purposes of identification by the Chairman) be adopted as the Memorandum and Articles of Incorporation of the Company in place of the current Memorandum and Articles of Incorporation.

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

Notes:

1. Shareholders will only be entitled to attend, speak and vote at the Annual General Meeting if they are registered as the holders of Ordinary Shares at 11.30 a.m. on 5 May 2009. This record time is being set for voting at the Annual General Meeting because the procedures for updating the register of members in respect of Ordinary Shares held in uncertificated form require a record time to be set for the purpose of determining entitlements to attend and vote at Shareholder meetings. The Ordinary Shares are included for trading in uncertificated (electronic) form in CREST.
2. A holder of Ordinary Shares is entitled to attend, speak and vote at this Annual General Meeting and may appoint one or more proxies to attend, speak and vote in his place. A proxy need not be a member of the Company.
3. To be valid, the relevant instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be received at the office of the Company's transfer agent, Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the meeting or adjourned meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
5. The completion and return of a valid form of proxy will not prevent holders of Ordinary Shares from attending, speaking and voting in person at the meeting if so desired.
6. Shareholders (and any proxies or representatives they appoint) agree, by attending the Annual General Meeting, that they are expressly requesting and that they are willing to receive any communications (including communications relating to the Company's securities) made at the Annual General Meeting.
7. A list of the names and addresses of all members (other than the Company itself where it holds its own shares as treasury shares) showing the number of shares respectively held by them shall be available for inspection in the Annual General Meeting meeting room at such office from 15 minutes prior to the Annual General Meeting's commencement until its conclusion.



Princess Private Equity Holding Limited
Directors' Report and Consolidated Audited Financial Statements
for the year from 1 January 2008 to 31 December 2008

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Directors:

C. Maltby (Chairman)
A. Billmaier
J. Hooley
B. Human
U. Wietlisbach

Company Secretary:

Dexion Capital (Guernsey) Limited

Registered Office:

Tudor House
St. Peter Port
Guernsey
GY1 1BT

Directors' report

Directors' report

Directors C. Maltby (Chairman)
A. Billmaier
J. Hooley
B. Human
U. Wietlisbach

Secretary: Dexion Capital (Guernsey) Limited

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

The Directors present their report and consolidated audited financial statements for the year from 1 January 2008 to 31 December 2008.

Incorporation

Princess Private Equity Holding Limited (the "Company") and Princess Private Equity Subholding Limited (the "Subholding" and together with the Company, the "Group") are limited liability companies, incorporated and domiciled in Guernsey, Channel Islands.

Principal Activity

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

Investment Objectives and Investment Policy

The Company's investment objective is to provide shareholders with long-term capital growth and an attractive dividend yield through investment in a diversified portfolio of private equity and private debt investments which may be classified as private market investment.

Under the Company's investment policy detailed in the prospectus dated 12 October 2007, investments may include, inter alia:

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

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

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

Review of Performance

An outline of the performance, investment activity and developments in the portfolio can be found in the consolidated audited income statement and balance sheet.

Directors' report (continued)

Monitoring Performance

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

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

Principal Risks and Uncertainties

The main focus of the Company is to invest in private equity funds, which themselves invest in unquoted companies, and direct investments co-investing with leading private equity fund managers. An explanation of the risks and how they are managed is contained in note 3 to the accounts.

Share Capital

The Company's issued and paid up share capital as at 31 December 2008 was 70'100'000 ordinary shares of EUR 0.001 each.

Shareholder Information

The Net Asset Value and the Net Asset Value per Share are calculated (in Euro) every month at the last Business Day of each month by Partners Group (Guernsey) Limited acting as Administrator.

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

Dividends

The Directors of Princess Private Equity Holding Limited declared and paid an interim dividend of EUR 0.30 per share which was paid on 20 June 2008. The Directors do not propose a final dividend for the year ended 31 December 2008.

Results

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

Directors

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

Mr Human retired by rotation and was re-elected at the 2007 AGM. Mr Billmaier was appointed by the Board on 5 December 2006 and his appointment was confirmed at the 2007 AGM.

Mr Maltby and Mr Hooley were appointed by the board on 1 October 2007 and confirmation of their appointment was passed at the 2008 AGM. Mr Wietlisbach's re-appointment was passed at the 2008 AGM.

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

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

No Director had a service contract with the company other than Mr Human who had a part time employment contract with the Company which ended in March 2008. Directors' remuneration is disclosed in note 22 and as shown below.

Directors' report (continued)

Split as follows:	31.12.2008	31.12.2007
<i>Company</i>	EUR	EUR
C. Maltby	50'000	12'500
A. Billmaier	40'000	35'000
G. Hall	-	8'890
J. Hooley	40'000	10'000
B. Human	30'000	-

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and officers' liability in relation to their acts on behalf of the Company. The Company's articles entitle the Directors, managers, agents, secretary and other officers to be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company. The premium for 2009 has been paid.

Investment Management Arrangements

Princess Management Limited, a wholly owned subsidiary of Partners Group Holding AG, is the Investment Manager to the Company. A revised Investment Management Agreement was signed ahead of the listing on the London Stock Exchange. The Investment Manager is permitted to delegate some or all of its obligations and has entered into an Investment Advisory Agreement with Partners Group AG. Mr Wietlisbach is a founding partner of Partners Group AG and currently serves as that firm's executive vice chairman. Details of the Management fees are shown under note 5. The Agreement may be terminated after ten years with three year's notice. Termination will be without penalty or other additional payments save that the Company will pay management and performance fees due and additional expenses incurred.

The Directors (other than Messrs Wietlisbach and Billmaier who are not independent of the Investment Manager) have determined that the continuing appointment of the Investment Manager on the terms of the Investment Management Agreement is in the interests of Shareholders, given the strong performance, global reach, access to leading private equity houses and expertise of the Investment Manager and through the Investment Manager to the Investment Advisor.

Significant Events

At the Annual General Meeting held on 16 April 2008 the Financial Statements of the Company for the year ended 31 December 2007 together with the Report of the Directors and Auditors were received and adopted.

At a Meeting of the Directors held on 08 May 2008, the Directors approved a dividend of Euro 0.30 per share payable on 20 June 2008.

Substantial Interest

The European Union Transparency Directive came into force on 20 January 2007. The directive requires substantial shareholders to make relevant holding notifications to the Company and the UK Financial Services Authority. The Company must then disseminate this information to the wider market. The significant holdings in the Company which have been notified to the Company are shown in note 14.4.

Corporate Governance

Introduction

As a Guernsey registered company, the Company is not required to comply with the Combined Code. However, the Directors have determined to report against the AIC ("Association of Investment Companies") Code of Corporate Governance and to follow AIC's Corporate Governance Guide for Investment Companies. There are no specific corporate governance principles the Company is obliged to comply with either in Guernsey or Germany.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are specific to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

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

Directors' report (continued)

The Combined Code includes provisions relating to

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

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

FWB Listing (Frankfurt Stock Exchange)

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

The Code is not applicable to the Company as its registered seat is in Guernsey. The Company will comply, however, with the AIC Code as set out above.

The Board

The Board consists of five non executive directors. The independent Chairman of the Board is Mr Maltby who has no other significant business commitments which need to be disclosed and the Board is satisfied that he has sufficient time available to discharge fully his responsibilities as Chairman of the Company. For the purposes of assessing compliance with the AIC Code, the Board considers all of the Directors (other than Mr Wietlisbach and Mr Billmaier) as independent of the Investment Manager and the Investment Adviser and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

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

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

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

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

The Board undertakes an annual evaluation of its own performance and the performance of its committees and individual Directors. A full corporate governance review has been undertaken since the publication of the previous financial statements, which was facilitated by the Company Secretary. There were no matters of significance raised within the findings of the review.

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

Directors are appointed for a fixed term of no more than three years. The appointment shall be renewed for a further period if both the respective Director and the Board believe that a renewal is in the interest of the Company. The renewal shall always be subject to an assessment of the independence of the Director in question. In view of the long-term nature of the Company's investments, the Board believes that a stable board composition is fundamental to run the Company properly. The Board has not stipulated a maximum term of any directorship. Directors retire by rotation except for Mr Wietlisbach who is subject to annual re-election.

Director's Duties and Responsibilities

The Board of Directors has overall responsibility for the Company's affairs and is responsible for the determination of the investment policy of the Company, resolving conflicts and for monitoring the overall portfolio of investments of the Company.

To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for performing certain of the day-to-day operations of the Company to the Investment Manager, the Investment Adviser and other third-party service providers, such as the Administrator and the Corporate Secretary.

Directors' report (continued)

the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

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

Board Meetings

The Board considers agenda items laid out in the Notice and Agenda which are formally circulated to the Board in advance of any meeting as part of the board papers. The Directors may request any Agenda items to be added that they consider appropriate for Board discussion. In addition each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion.

Board meetings are attended by representatives of the Investment Manager and the Investment Adviser. The Company's corporate broker also attends to assist the Directors in understanding the views of major shareholders about the Company.

Below is a summary of the Director attendance at Board meetings held in 2008:

Quarterly Board Meetings

Meeting Date	Attendance	Apologies
08 February 2008	CM, JH, BH, UW	AB
08 May 2008	CM, AB, JH, BH, UW	
14 August 2008	CM, JH, BH, UW	AB
30 October 2008	CM, AB, JH, BH, UW	

Ad-hoc Board Meetings

Meeting Date	Attendance	Apologies
28 January 2008	CM, AB, JH, BH, UW	
14 March 2008	CM, AB, JH, BH, UW	
30 April 2008	CM, AB, JH	BH, UW
28 July 2008	CM, AB, JH	BH, UW
08 December 2008	CM, AB, JH, BH, UW	

CM: Colin Maltby
 AB: Andreas Billmaier
 JH: Jonathan Hooley
 BH: Brian Human
 UW: Urs Wietlisbach

Committees of the Board

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

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

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

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

Directors' report (continued)

Directors' Interests

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

- Mr. Wletisbach 170'000 shares deliverable in the form of co-ownership interest.

Shareholder Communication

The Directors place great importance on shareholder communication while the Manager and the Investment Adviser also carry out a programme of regular meetings with shareholders and potential investors. The Company publishes a monthly report with key financial data and issues affecting the portfolio, and publishes quarterly financial accounts as well as semi annual and audited annual accounts. Conference calls are arranged on a quarterly basis at which the Investment Adviser provides an in-depth review of developments in the portfolio and gives a market overview. Regular news releases are also published.

Directors' Responsibilities

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

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

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

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

Furthermore to the best of our knowledge and belief

- this annual report includes a fair review of the development and performance of the business and the position of the Company and Group together with a description of the principal risks and uncertainties that the Company and Group faces; and
- the financial statements, prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and losses of the Company.

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

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

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

Company Secretary

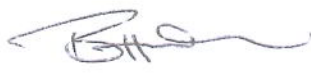
The secretary of the Company as at 31 December 2008 is Dexion Capital (Guernsey) Limited.

Auditors

At a general meeting held on 16 April 2008, PricewaterhouseCoopers CI LLP were appointed Auditors of the Company for the year ending 31 December 2008, together with the fixing of their remuneration by the Directors.

J. Hooley
Director

B. Human
Director





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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Princess Private Equity Holding Limited which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 1994.

Without qualifying our opinion, we draw attention to Notes 3 and 9 to the consolidated financial statements. As indicated in Notes 3 and 9, the consolidated financial statements include unquoted investments stated at their fair value of EUR 550'382'124. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realisable values, and the differences could be material.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. The other information comprises the Directors' report, Chairman's statement and Investment Manager's report.

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

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

18 FEBRUARY 2009.

Consolidated audited income statement
for the year from 1 January 2008 to 31 December 2008

	Notes	01.01.2008 - 31.12.2008 EUR	01.01.2007- 31.12.2007 EUR
Net income from designated financial assets at fair value through profit or loss		(46'486'946)	93'123'630
Net income from investments in limited partnerships and directly held investments			
- Dividend and interest income	9 & 16	4'438'750	6'103'572
- Revaluation	9 & 18	(83'839'577)	103'667'915
- Foreign exchange gains and (losses)	9 & 17	32'913'881	(16'647'857)
Net income from financial assets at fair value through profit or loss held for trading			
Net income from listed private equity		(14'655'475)	(5'779'986)
- Gains and (losses)	10	(14'655'475)	(5'779'986)
Net income from short-term investments			
- Gains and (losses)	11	-	301'065
- Interest on short-term investments	11 & 16	-	950'535
- Foreign exchange gains and (losses)	11 & 17	-	240'388
			(889'858)
Net income from cash & cash equivalents		1'939'616	3'783'945
- Interest income	13 & 16	2'107'894	4'784'610
- Foreign exchange gains and (losses)	17	(168'278)	(1'000'665)
Operating income		(59'202'805)	91'428'654
Operating expenses		(16'175'971)	(16'143'182)
- Management fee	5	(14'214'475)	(13'609'628)
- Administration fee	5	(361'558)	(334'772)
- Incentive fee	5	(280'180)	(292'762)
- Audit fee		(64'365)	(57'967)
- Tax exemption fee	6	(761)	(1'707)
- Restructuring costs		32'590	(1'195'779)
- Other foreign exchange gains and (losses)	17	(435'312)	193'306
- Other operating expenses		(851'910)	(843'873)
Financing cost		(138'991)	(141'505)
- Non utilization fee - credit facility	16 & 21	(138'991)	(141'505)
Surplus / (loss) for the financial year		(75'517'767)	75'143'967
		01.01.2008 - 31.12.2008	01.01.2007- 31.12.2007
Earnings per share			
- Weighted average number of shares outstanding	4	70'100'000	70'100'000
- Basic surplus / (loss) per share for the financial year	4	(1.08)	1.07
- Diluted surplus / (loss) per share for the financial year	4	(1.08)	1.07

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

The notes on pages 16 to 29 form an integral part of these consolidated financial statements.

Consolidated audited balance sheet
 as at 31 December 2008

	Notes	31.12.2008 EUR		31.12.2007 EUR
Assets				
Non-current assets				
Designated financial assets at fair value through profit or loss				
Investments in limited partnerships and directly held investments	2 & 9	550'382'124		565'123'026
Financial assets at fair value through profit or loss held for trading				
Investment in listed private equity	2 & 10	6'829'765		31'283'850
Hedging assets	2 & 9	<u>12'558'606</u>		<u>6'095'015</u>
		19'388'371		37'378'865
Current assets				
Other short-term receivables	12	784'545		616'560
Cash and cash equivalents	13	<u>13'707'132</u>		<u>80'258'529</u>
		14'491'677		80'875'089
Total assets		<u><u>584'262'172</u></u>		<u><u>683'376'980</u></u>
Equity				
Capital and reserves				
Issued capital	14	70'100		70'100
Distributable reserve	14	668'881'890		689'911'890
Accumulated loss		<u>(89'293'248)</u>		<u>(13'775'481)</u>
Total equity		579'658'742		676'206'509
Liabilities falling due within one year				
Other short-term liabilities				
Other short-term payables	15	<u>4'603'430</u>		<u>7'170'471</u>
		4'603'430		7'170'471
Total equity and liabilities		<u><u>584'262'172</u></u>		<u><u>683'376'980</u></u>

The notes on pages 16 to 29 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 12 to 29 were approved by the board of directors on 18 February 2009 and are signed on its behalf by:

J. Hooley
 Director

B. Human
 Director




Consolidated audited statement of changes in equity
for the year from 1 January 2008 to 31 December 2008
(all amounts in EUR)

	Share capital	Distributable reserve	Accumulated surplus/(loss)	Total
Equity at beginning of reporting year				
Dividend payment	70'100	689'911'890	(13'775'481)	676'206'509
Surplus / (loss) for the financial year	-	(21'030'000)	-	(21'030'000)
			(75'517'767)	(75'517'767)
Equity at end of reporting year	70'100	668'881'890	(89'293'248)	579'658'742

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

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

The notes on pages 16 to 29 form an integral part of these consolidated financial statements.

Consolidated audited cash flow statement
for the year from 1 January 2008 to 31 December 2008

	Notes	01.01.2008 - 31.12.2008 EUR	01.01.2007- 31.12.2007 EUR
Cash flow from operating activities			
- Management fee	5	(14'214'475)	(13'609'628)
- Administration fee	5	(361'558)	(334'772)
- Incentive fee	5	(280'180)	(292'762)
- Audit fee		(64'365)	(57'967)
- Tax exemption fee	6	(761)	(1'707)
- Restructuring costs		32'590	(1'195'778)
- Other operating expenses		(851'910)	(843'873)
- Proceeds from / (costs of) hedging activities	9	23'224'508	12'475'305
- Premium of hedging option		(12'378'234)	-
- Redemption of hedging option		795'592	-
- (Increase) / decrease in other short-term receivables		(603'297)	(211'506)
- Increase / (decrease) in other short-term payables		(2'567'041)	5'175'550
- Dividend income from limited partnerships and directly held investments	9	2'601'398	2'874'253
- Withholding tax from limited partnerships and directly held investments	9	(373'658)	-
- Interest income from limited partnerships and directly held investments	9	1'343'690	2'217'059
- Purchase of limited partnerships and directly held investments	9	(123'807'873)	(234'695'249)
- Distributions from limited partnerships and directly held investments	9	70'384'942	167'743'226
- Purchase of listed private equity	10	-	(37'063'836)
- Redemptions of listed private equity	10	9'798'610	-
- Redemptions of short-term investments	11	-	197'302'644
- Net purchase of short-term investments	11	-	(150'790'113)
- Interest on short-term investments	11	-	240'388
- Interest from cash and cash equivalents	13 & 16	2'107'894	4'784'610
- Financing cost / credit line charges	21	(138'991)	(141'505)
Net cash from / (used in) operating activities		<u>(45'353'119)</u>	<u>(46'425'661)</u>
Cash flow from financing activities			
- Dividend payment	14	<u>(21'030'000)</u>	<u>(40'237'397)</u>
Net increase / (decrease) in cash and cash equivalents		(66'383'119)	(86'663'058)
Cash and cash equivalents at beginning of reporting year	13	80'258'529	167'922'252
Effects on cash and cash equivalents			
- Movement in exchange rates	17	<u>(168'278)</u>	<u>(1'000'665)</u>
Cash and cash equivalents at end of reporting year	13	<u>13'707'132</u>	<u>80'258'529</u>

The notes on pages 16 to 29 form an integral part of these consolidated financial statements.

Notes to the consolidated audited financial statements

1 Organization and business activity

Princess Private Equity Holding Limited (the "Company") is an investment holding company established on 12 May 1999. The Company's registered office is Tudor House, St. Peter Port, Guernsey, GY1 1BT. The Company is a Guernsey limited liability company that operates in the private equity and private debt market and invests directly or through its wholly-owned subsidiary, Princess Private Equity Subholding Limited ("the Subsidiary"), in private market investments.

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

These consolidated financial statements were authorized for issue by the board of Directors on 18 February 2009.

2 Principal accounting policies

The accounting policies correspond to those of the consolidated audited financial statements for the year ended 2007 except for the changes discussed below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

From 1 January 2008 the following new and existing revised International Financial Reporting Standards (IFRS) as well as interpretation standards were required to be adopted. The Group has consequently adopted all relevant and below-mentioned Standards since 1 January 2008.

- IAS 39 (effective 1 July, 2008): - Reclassification of financial assets
- IFRIC 11 (effective 1 March 2007): - Group and treasury share transactions
- IFRIC 12 (effective 1 January 2008): - Service concession arrangements
- IFRIC 13 (effective 1 July 2008): - Customer loyalty programmes
- IFRIC 14 (effective 1 January 2008): The limit on a defined benefit asset, minimum funding requirements and their interaction

The existing revised standard IAS 39 and the interpretations IFRIC 11 to 14 (International Financial Reporting Interpretations Committee) are effective for financial periods after 1 January 2008. These interpretations had no impact on the financial statements of the Group.

The following standards, interpretations and amendments to published standards that are mandatory for accounting periods beginning on or after 1 January 2009, or later periods have not been early adopted:

- IAS 1 (amended, effective 1 January 2009): - Presentation of financial statements
- IAS 16 (amended, effective 1 January 2009): - Property, plant and equipment
- IAS 19 (amended, effective 1 January 2009): - Employee benefits
- IAS 20 (amended, effective 1 January 2009): - Accounting for government grants and disclosure of government assistance
- IAS 23 (amended, effective 1 January 2009): - Borrowing cost
- IAS 27 (amended, effective 1 January 2009): - Consolidated and separate financial statements
- IAS 28 (amended, effective 1 January 2009): - Investments in associates, and consequential amendments to IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial instruments: Disclosures
- IAS 29 (amended, effective 1 January 2009): - Financial reporting in hyperinflationary economies
- IAS 31 (amended, effective 1 January 2009): - Interests in joint ventures
- IAS 32 (amended, effective 1 January 2009): - Puttable financial instruments and obligations arising on liquidation
- IAS 36 (amended, effective 1 January 2009): - Impairment of assets
- IAS 38 (amended, effective 1 January 2009): - Intangible assets
- IAS 39 (amended, effective 1 January 2009): - Financial instruments: Recognition and measurement
- IAS 40 (amended, effective 1 January 2009): - Investment property and consequential amendments to IAS 16
- IAS 41 (amended, effective 1 January 2009): - Agriculture
- IFRS 2 (amended, effective 1 January 2009): - Share-based payment
- IFRS 3 (amended, effective 1 July 2009): - Business combination
- IFRS 5 (amended, effective 1 July 2009): - Non-current assets held-for-sale and discontinued operations
- IFRS 8 (amended, effective 1 January 2009): - Segment reporting

The Group assessed the impact of the above mentioned amended and new standards and concluded that these standards will result in some additional disclosures, but will not affect the Group's results of operations or financial position. The Group will apply these standards for accounting periods beginning 1 January 2009.

- IFRIC 15 (effective 1 January 2009): - Agreements for the construction of real estate
- IFRIC 16 (effective from 1 October 2008): - Hedges of a net investment in a foreign operation

The Group assessed the impact of the interpretations of IFRIC 15 to 16 and concluded that these new interpretations will not

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and under the historical cost convention as modified by the revaluation of "financial assets and financial liabilities at fair value through profit or loss".

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where assumptions, judgements and estimates are significant to the financial statements are disclosed in note 3.

Notes to the consolidated audited financial statements (continued)

2 Principal accounting policies (continued)

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

Income from bank deposits and interest income from short-term investments are included on an accruals basis. 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. Dividend income is recognized when the right to receive payment is established.

Expenditure

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

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euro, which is the companies' functional and the Group's presentation currency.

b) Transaction and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated audited income statement.

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

a) Classification

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

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

The Group's policy of hedging the value of non-Euro investments against the Euro does not qualify for hedge accounting as defined in IAS 39. Derivative financial instruments are classified as financial assets and liabilities held for trading or designated in case they are managed and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. They are initially recognized in the balance sheet at fair value and are subsequently 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 designated financial assets at fair value through profit or loss" and "Net income from financial assets at fair value through profit or loss held for trading". The fair values of various derivative instruments used for hedging purposes are disclosed in note 9.

Financial assets and financial liabilities designated at fair value through profit or loss at inception consist of investments in limited partnerships and directly held investments. They are managed and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is used by the investment manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

In setting the Group's investment policy the Directors have determined that investments will only be made in entities that adopt an internationally recognized standard.

b) Recognition / Derecognition

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

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

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

Notes to the consolidated audited financial statements (continued)

2 Principal accounting policies (continued)

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

c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at cost. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognized in the income statement within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement within dividend income when the Group's right to receive payments is established. Transaction costs are expensed in the income statement.

d) Fair Value estimation

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

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

Short-term investments

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and term deposits with a maturity of three months or less. Cash and cash equivalents are stated at the carrying amount as this is a reasonable approximation of fair value.

Other short-term receivables

Other short-term receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Other receivables are stated at the carrying amount as this is a reasonable approximation of fair value.

Other short-term payables

Other short-term payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. Other payables are stated at the carrying amount as this is a reasonable approximation of fair value.

Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, have been consolidated. All inter-company transactions, balances and unrealized surpluses and losses on transactions between group companies have been eliminated. A listing of the Group's subsidiaries is set out in note 23.

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

Notes to the consolidated audited financial statements (continued)

3 Critical accounting estimates and judgments

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

Unquoted investments in limited partnerships and directly held investments

For the valuation of such investments the investment manager reviews the latest information provided by underlying partnerships and other business partners, which frequently does not coincide with the valuation date, and apply widely recognized valuation methods to such data such as time of last financing, multiple analysis, discounted cash flow method and third party valuation as well as market prices to estimate a fair value as at the balance sheet date. As part of the fair valuation of such investments the investment manager uses observable market and cash flow data to consider and determine the fair values of the underlying investments. Furthermore the investment manager considers the overall portfolio against observable data and general market developments to determine if the values attributed appear fair based on the current market environment. The investment manager makes reasonable efforts to obtain the latest available information from the underlying investment.

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

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

- limited partnership's most recent reporting information including a detailed analysis of underlying company performance and investment transactions with the fund between the latest available fund reporting and the balance sheet date of the Group;
- review of a direct investment's most recent accounting and cash flow reports and models, including data supplied by both the sponsor and the company and any additional available information between the date of these reports and the balance sheet date of the Group;
- review of recent transaction prices and merger & acquisition activity for similar direct investments;
- review of the limited partnership's application of generally accepted accounting principals and the valuation method applied for its underlying investments such as discounted cash flow and multiple analysis, which are based on available information; and
- review of current market environment and the impact of it on limited partnerships, their investments and the Group's direct investments.

The variety of valuation bases adopted, quality of management information provided by the underlying partnerships and the lack of liquid markets for the investments held mean that there are inherent difficulties in determining the fair values of these investments that cannot be eliminated. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and therefore the amounts realized on the sale of investments, will differ from the fair values reflected in these financial statements and the differences may be significant.

Cash flow modeling

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

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

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

- Historical statistical data: external and internal data serve as the statistical basis of the quantitative model;
- Current portfolio company information: the model is updated to take into account current data from the Group's direct and limited partnership investments;
- Input from the investment advisor's investment professionals: Qualitative and quantitative inputs from the general market environment and the specific portfolio in the model; and
- Monte-Carlo simulations and stress-tests: stochastic behavior of private equity cash flows combined with valuations and tailor-made scenario analyses provide the basis for commitment decisions and quantitative risk management.

There is uncertainty in the estimates and judgment in the cash flow modeling assumptions concerning the future and as such the investment manager continuously compares these assumptions against actual developments and adjusts the cash flow model accordingly.

Notes to the consolidated audited financial statements (continued)

4 Earnings per share / Net asset value per share

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

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

5 Expenses

Management fee

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

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

Administration fee

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

Incentive Fee

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

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

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

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

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

6 Taxation status

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

7 Segment reporting

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

8 Financial risk management

Financial risk factors

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

(a) Foreign exchange risk

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

Notes to the consolidated audited financial statements (continued)

8 Financial risk management (continued)

(a) Foreign exchange risk (continued)

The annual volatility using cross-currency rates from 1 January 2001 to 31 December 2008 equals 9.8% (8.3% for the previous year) for the US dollar compared to the Euro. Under the assumption that the US dollar fluctuates with an annual volatility of 9.8% the value of these assets and the corresponding result would be either EUR 11'285'802 higher or lower (EUR 7'727'791 for 2007).

(b) Interest rate risk

The Group invests in interest-bearing mezzanine investments that are exposed to the risk of changes in market interest rates. The interest on the mezzanine loans is partially based on Libor and Euribor rates. A decrease in the market interest rates can lead to a decrease in interest income of the Group. The overall interest rate risk is considered to be limited as only a small part of the portfolio depends on variable interest rates.

Cash and cash equivalents are only short-term and therefore interest rate exposure is very limited. At year-end all term-deposits invested have fixed interest rates.

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

Variable rate instruments

	31.12.2008 EUR	31.12.2007 EUR
Mezzanine investments	9'483'822	13'707'292
Cash and cash equivalents	<u>13'707'132</u>	<u>80'258'529</u>
	<u>23'190'954</u>	<u>93'965'821</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the previous year.

	Profit or loss 50bp increase	50bp decrease
2008		
Variable rate instruments	115'955	(115'955)
2007		
Variable rate instruments	469'829	(469'829)

(c) Credit risk

Whilst the Group intends to diversify its portfolio of investments, the Group's investment activities may result in credit risk relating to investments in which the Group has direct or indirect (through a fund investment) exposure. Bad credit development or a default of investments in which the Group has direct or indirect exposure will lead to a lower net asset value and to lower dividend and interest income from limited partnerships and directly held investments.

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

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

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

Notes to the consolidated audited financial statements (continued)

8 Financial risk management (continued)

(c) Credit risk (continued)

Rating of mezzanine instruments

	31.12.2008 EUR	31.12.2007 EUR
Above expectation	-	-
As expected	-	-
Below expectation	6'705'065	13'707'292
Below expectation with concerns	2'778'756	-
	1	-
Total	9'483'822	13'707'292

The Group has no significant concentration of credit risk other than listed above. As noted above, derivative counterparties and cash transactions are limited to high credit quality financial institutions. As of 31 December 2008 the impairment on mezzanine investments amounts to EUR 3'599'999 (2007: EUR nil).

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

	Not past due EUR	Past due less than 1 year EUR	Past due more than 1 year EUR
2008			
Foreign exchange option			
Cash at bank	12'558'606	-	-
Other short-term receivables	13'707'132	-	-
Mezzanine investments	784'545	-	-
	9'483'822		
2007			
Foreign exchange contracts	6'095'015	-	-
Cash at bank	80'258'529	-	-
Other short-term receivables	616'560	-	-
Mezzanine investments	13'707'292		

The change of the credit quality is reflected in the fair value of the instrument. Unrealized losses of EUR 3'599'999 (2007: nil) are attributable to these debt instruments.

(d) Liquidity risk

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

As the unfunded commitments can be drawn at any time, the Group's over-commitment strategy could result in periods in which the Group has inadequate liquidity to fund its investments or to pay other amounts payable by the Group. The liquidity risk arising from the over-commitment strategy is managed through the use of quantitative models by the Investment Advisor's internal risk committee on a quarterly basis. If the risk committee concludes that there is a risk of insufficient liquidity to fund investments, actions are taken into consideration such as entering into a credit line facility, reducing the amount of listed private equity or the selling of investments on the secondary market. The credit facility is due to be renegotiated in December 2009. The table below analyses the liquidity risk due to the over-commitment strategy.

Over-commitment strategy

	31.12.2008 EUR	31.12.2007 EUR
Unfunded commitments	(374'928'358)	(408'170'641)
Cash and Cash equivalents	13'707'132	80'258'529
Listed private equity	6'829'765	31'283'850
Hedging assets	12'558'606	255'614'562
Hedging liabilities	-	(249'519'547)
Net other current assets	(3'818'885)	(6'553'911)
Unutilized credit-line	35'835'000	34'286'500
Over-commitment	(309'816'740)	(262'800'658)
Unfunded / NAV Ratio	65%	60%
Unfunded / NAV Ratio (Inc. credit line)	61%	57%

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

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

Notes to the consolidated audited financial statements (continued)

8 Financial risk management (continued)

(d) Liquidity risk (continued)

At 31 December 2008	Less than 3 months EUR	3 to 12 months EUR
Unfunded commitments	374'928'358	-
Other short-term payables	4'603'430	-
Total	379'531'788	-
At 31 December 2007	Less than 3 months EUR	3 to 12 months EUR
Unfunded commitments	408'170'641	-
Hedging inflow	(255'614'562)	-
Hedging outflow	249'519'547	-
Other short-term payables	7'170'471	-
Total	409'246'097	-

(e) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(f) Market price risk

Designated financial assets at fair value through profit or loss and investments in listed private equity bear a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis by the Group's Investment Manager and are reviewed on a quarterly basis by the Board of Directors. The Group checks its performance against the Listed Private Equity Index (LPX50) which it uses as its benchmark. This reflects the performance of 50 listed private equity companies and the Group checks on a regular basis the weightings of the index, its composition, price development and volatility.

The annual volatility of the benchmark is 23.3% for the period between 1 January 2001 and 31 December 2008 (15.3% as at the previous year end). Under the assumption that designated financial assets at fair value through profit or loss and investments in listed private equity fluctuate with the annual volatility the value and the result of designated financial assets at fair value through profit or loss and investments in listed private equity would be either EUR 129'830'037 higher or lower (EUR 91,250,252 for 2007).

9 Limited partnerships and directly held investments

9.1 Investments	31.12.2008 EUR	31.12.2007 EUR
Balance at beginning of reporting year	565'123'026	430'576'071
Capital activity recorded at the transaction rate		
Distributions	123'807'873	234'695'249
Accrued PIK interest	(70'384'942)	(167'355'690)
Realized PIK interest	674'684	873'446
Accrued Cash interest	-	(387'536)
Revaluation	192'636	138'814
Foreign exchange gains / (losses)	(83'839'577)	103'667'915
	14'808'424	(37'085'243)
Balance at end of reporting year	550'382'124	565'123'026
9.2 Distributions	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Dividend income	2'601'398	2'874'253
Interest income	1'343'690	2'217'059
Accrued PIK interest	674'684	873'446
Accrued cash interest	192'636	138'814
Withholding taxes	(373'658)	-
	4'438'750	6'103'572
Realized PIK interest	-	387'536
Return of investments	70'937'358	167'796'529
Gains / (losses) from sale of stock distributions	(552'416)	(440'839)
	70'384'942	167'743'226
Total distributions	74'823'692	173'846'798

Notes to the consolidated audited financial statements (continued)

9 Limited partnerships and directly held investments

9.3 Foreign exchange

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
	EUR	EUR
Foreign exchange revaluation	14'808'424	(37'085'243)
Revaluation of foreign exchange hedges and options relating to investments in limited partnerships and directly held investments	1'770'155	7'962'081
Realized gains / (losses) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	23'224'508	12'475'305
Realized gains / (losses) from foreign exchange option hedges relating to investments in limited partnerships and directly held investments	(6'889'206)	-
	32'913'881	(16'647'857)

At the balance sheet date, the Group had the following forward foreign exchange contracts and foreign exchange options in place. The contracts and options 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) 31.12.2008	Surplus / (loss) 31.12.2007
				EUR	EUR
Buy EUR against USD	335'000'000	0.7042	18.01.2008	-	6'205'019
Buy EUR against USD	20'000'000	0.6802	18.01.2008	-	(110'004)
Revaluation FX Option EUR against USD	382'000'000	0.7045	11.09.2009	7'865'170	-
				7'865'170	6'095'015
Premium on FX Option EUR against USD	382'000'000	0.7045	11.09.2008	4'693'436	-
				12'558'606	6'095'015

10 Investments in listed private equity

10.1

	31.12.2008	31.12.2007
Balance at beginning of reporting year	31'283'850	-
Purchases recorded at the transaction rate	-	37'063'836
Disposals recorded at the transaction rate	(9'798'610)	-
Gains / (losses) on listed private equity	(14'655'475)	(5'779'986)
Balance at end of reporting year	6'829'765	31'283'850

Notes to the consolidated audited financial statements (continued)

11 Short-term investments

11.1 Investments

	31.12.2008 EUR	31.12.2007 EUR
At beginning of reporting year		
Additions	-	46'451'854
Redemptions	-	150'790'113
Unrealized gains / (losses) on short-term investments	-	(197'302'644)
Foreign exchange gains and (losses)	-	950'535
	-	(889'858)
At end of reporting year	<u>-</u>	<u>-</u>

11.2 Income

	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Interest on short-term investments	-	240'388
Unrealized gains / (losses) from short-term investments	-	950'535
Foreign exchange gains and (losses)	-	(889'858)
Total gains and losses from short-term investments	<u>-</u>	<u>301'065</u>

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

12 Other short-term receivables

	31.12.2008 EUR	31.12.2007 EUR
Distributions receivable	<u>784'545</u>	<u>616'560</u>
Total other short-term receivables	<u>784'545</u>	<u>616'560</u>

Other short-term receivables are classified as follows:

	Within one year EUR	After one year and within five years EUR	After more than five years EUR
Distributions receivable	784'545	-	-
Total other short-term receivables	<u>784'545</u>	<u>-</u>	<u>-</u>

13 Cash and cash equivalents

13.1 Balance

	31.12.2008 EUR	31.12.2007 EUR
Cash at banks	<u>13'707'132</u>	<u>80'258'529</u>
Total cash and cash equivalents	<u>13'707'132</u>	<u>80'258'529</u>

13.2 Interest income

	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Interest received from cash at banks	<u>2'107'894</u>	<u>4'784'610</u>
Total interest income from cash and cash equivalents	<u>2'107'894</u>	<u>4'784'610</u>

Notes to the consolidated audited financial statements (continued)

14 Share capital

Pursuant to an extraordinary general meeting on 12 October 2007 the shareholders approved a share split. Each authorized Ordinary Share of EUR 0.01 has been divided into 10 Ordinary Shares of EUR 0.001 each. Since 13 December 2006 the shares of the Company have been listed on the Prime Standard of the Frankfurt Stock Exchange. As of 1 November 2007 the shares have also been listed on the London Stock Exchange.

	31.12.2008 EUR	31.12.2007 EUR
Authorized		
200,100,000 Ordinary shares of EUR 0.001 each	<u>200'100</u>	<u>200'100</u>
	<u>200'100</u>	<u>200'100</u>
Issued and fully paid		
70,100,000 Ordinary shares of EUR 0.001 each out of the bond conversion	<u>70'100</u>	<u>70'100</u>
	<u>70'100</u>	<u>70'100</u>

14.1 Share Premium

	31.12.2008 EUR	31.12.2007 EUR
Share Premium from issuance of shares	-	730'149'287
Transfer from share premium to distributable reserves	-	(730'149'287)
Total share premium	<u>-</u>	<u>-</u>

14.2 Distributable reserves

	31.12.2008 EUR	31.12.2007 EUR
Transfer from share premium to distributable reserves 1)	<u>689'911'890</u>	730'149'287
Dividend payment	<u>(21'030'000)</u>	<u>(40'237'397)</u>
Total distributable reserves	<u>668'881'890</u>	<u>689'911'890</u>

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

14.3 Dividend Payment

On 20 June 2008 a dividend of EUR 0.30 per Ordinary Share, as declared at the last Annual General Meeting, was paid to investors.

14.4 Shareholders above 3% of Ordinary shares issued

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

Notes to the consolidated audited financial statements (continued)

15 Other short-term payables

	31.12.2008 EUR	31.12.2007 EUR
Accrued interest		
Accruals to related parties	143'731	137'146
Sundry payables	4'137'205	5'629'629
	<u>322'494</u>	<u>1'403'696</u>
Total other short-term payables	<u>4'603'430</u>	<u>7'170'471</u>

Amounts due and payable for the accounts shown under "Other short-term payables" are as follows:

	Within one year EUR	After one year and within five years EUR	After more than five years EUR
Accrued Interest			
Accruals to related parties	143'731	-	-
Sundry payables	4'137'205	-	-
	<u>322'494</u>	<u>-</u>	<u>-</u>
Total other short-term payables	<u>4'603'430</u>	<u>-</u>	<u>-</u>

16 Dividend and interest income and expense

	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Interest income:		
- Dividend and interest income from limited partnerships and directly held investments	4'438'750	6'103'572
- Interest on short-term investments	-	240'388
- Interest from cash and cash equivalents	2'107'894	4'784'610
	<u>6'546'644</u>	<u>11'128'570</u>
Total dividend and interest income	<u>6'546'644</u>	<u>11'128'570</u>
Non utilization fee - credit facility	<u>(138'991)</u>	<u>(141'505)</u>
Total expense	<u>(138'991)</u>	<u>(141'505)</u>

17 Foreign exchange gains and (losses)

	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Foreign exchange gains and (losses) on:		
- Limited partnerships and directly held investments	(32'913'881)	(16'647'857)
- Short-term investments	-	(889'858)
- Cash and cash equivalents	(168'278)	(1'000'665)
- Other	(435'312)	193'306
	<u>(33'517'471)</u>	<u>(18'345'074)</u>
Total foreign exchange gains and (losses)	<u>(33'517'471)</u>	<u>(18'345'074)</u>

Notes to the consolidated audited financial statements (continued)

18 Revaluation and realized gains and (losses)

	01.01.2008 - 31.12.2008 EUR	01.01.2007- 31.12.2007 EUR
- Limited partnerships and directly held investments	<u>(83'839'577)</u>	<u>103'667'915</u>
Total revaluation and realised gains and (losses)	<u>(83'839'577)</u>	<u>103'667'915</u>

19 Commitments

	31.12.2008 EUR	31.12.2007 EUR
Total commitments translated at the rate prevailing at the balance sheet date	<u>1'512'898'499</u>	<u>1'426'422'963</u>
Unfunded commitments translated at the rate prevailing at the balance sheet date	<u>374'928'358</u>	<u>408'170'641</u>

20 Net assets and diluted assets per ordinary share

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

	31.12.2008 EUR	31.12.2007 EUR
Net assets of the Group	579'658'742	676'206'509
Outstanding shares at the balance sheet date	70'100'000	70'100'000
Net asset per share at year-end	8.27	9.65
Diluted net assets per share at the balance sheet date	8.27	9.65

21 Credit line facility

The Company entered into a revolving credit facility with Bank of Scotland on 31 December 2002 for a maximum of USD 130,000,000. Security is inter alia, by way of a security agreement over the entire issued share capital of Princess Private Equity Subholding Limited. The credit facility has been reduced to USD 50,000,000 by the Company. The credit facility is due to terminate on 31 December 2009.

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

There is a non utilization fee which is payable yearly in arrears and this is calculated at 0.40% per annum on the average undrawn amount of the revolving credit during the period. In 2008 EUR 138'991 non utilization fee has been paid (2007: EUR 141,505).

As at the balance sheet date, the amount drawn under the credit facility was nil (2007: nil).

Notes to the consolidated audited financial statements (continued)

22 Related party transactions

Partners Group Holding held 10'000 Ordinary shares at the balance sheet date.

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

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

Transactions and balances with related parties

The following transactions were carried out with related parties:

i) Services:	Notes	01.01.2008 - 31.12.2008 EUR	01.01.2007 - 31.12.2007 EUR
Management fee paid to: - Princess Management Limited	5	14'214'475	13'609'628
Administration fee paid to: - Partners Group (Guernsey) Limited	5	361'558	334'772
Incentive fee - Princess Management Limited	5	280'180	292'762
IFRS Valuation advice: - Princess Management Limited		71'670	68'573
Directors' fees paid		160'000	66'390
Split as follows:			
<i>Company</i>			
C. Maltby		50'000	12'500
A. Billmaier		40'000	35'000
G. Hall		-	8'890
J. Hooley		40'000	10'000
B. Human		30'000	-
Directors' compensation			
- Short-term employee benefits		23'560	95'648
The Company does not operate a pension scheme.			
Reimbursement of fees due to investments in related limited partnerships		2'805'353	3'213'957
Princess Management Limited and Partners Group (Guernsey) Limited are companies incorporated in Guernsey and owned by Partners Group Holding.			
ii) Year-end balances:			
Other short-term payables to related parties: - Princess Management Limited		31.12.2008 EUR	31.12.2007 EUR
		4'137'205	5'629'627

23 Group enterprises - significant subsidiaries

	Country of incorporation	Ownership interest	
		31.12.2008	31.12.2007
Princess Private Equity Subholding Limited	Guernsey	100%	100%

24 Events after the balance sheet date

The Board of Directors is of the opinion that no events took place between 31 December 2008 and 18 February 2009 that would require disclosure in these financial statements.

FORM OF PROXY

PRINCESS PRIVATE EQUITY HOLDING LIMITED

I/We
 (please complete in block capitals)

of

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

or

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 11:30 a.m. on Thursday 7 May 2009 at Third Floor, Tudor House, Le Bordage, St Peter Port, Guernsey and at any adjournment thereof.

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

ORDINARY RESOLUTIONS	For	Against	Withheld
1. THAT the Financial Statements of the Company for the year ended 31 December 2008 together with the Report of the Directors and Auditors thereon is received and adopted.			
2. THAT the re-appointment of PricewaterhouseCoopers CI LLP as Auditors of the Company for the year ending 31 December 2009 with their remuneration for that period to not exceed CHF125,000 is hereby approved.			
3. THAT Andreas Billmaier be re-elected as a Director.			
4. THAT Mr Urs Wietlisbach be re-elected as a Director.			
5. THAT the remuneration of the Directors will be and is fixed at € 50,000 in respect of the Chairman and €40,000 for each of the remaining independent non-executive Directors.			
SPECIAL RESOLUTIONS			
6. THAT the Company be and is hereby authorised in accordance with section 315 of The Companies (Guernsey) Law, 2008 (as amended) to make market purchases of Ordinary Shares in the Company ("Market Purchases") provided that: a. The maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the issued Ordinary Shares of each currency class in issue (excluding Ordinary Shares of that class held in treasury) as at the date of the Ordinary General Meeting; and b. The minimum price to be paid for Market Purchases for each Ordinary Share is EUR0.01 and the maximum price to be paid for Market Purchases will not be more than the higher of (i) 5 per cent. (5%) above the average market value of the Ordinary Shares of that class for the 5 business days before the purchase is made and (ii) the higher of the price of the last independent trade and highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial investments (No. 2233/2003) and otherwise in accordance with The Companies (Guernsey) Law, 2008, (as amended), provided that; c. such authority shall expire on 7 May 2010.			
7. THAT a new Memorandum and Articles of Incorporation (a copy of which will be produced to the meeting and initialed for the purposes of identification by the Chairman) be adopted as the Memorandum and Articles of Incorporation of the Company in place of the current Memorandum and Articles of Incorporation.			

Signed this day of 2009

(Signature)

1. If you desire someone other than the Chairman or a representative of the Company Secretary to act as your proxy, delete "the Chairman or the representative of the Company Secretary" above and insert the name of the proxy desired. Such proxy need not be a member of the Company. If you wish to appoint the representative of the Company Secretary to act as your proxy delete "the Chairman of the Meeting or". If you do not delete these words and you do not insert the name of an alternative proxy in the space provided you will be deemed to have appointed the Chairman of the Annual General Meeting as your proxy.
2. In the case of a corporation this proxy must be executed under the Common Seal or under the hand of an officer or duly authorised attorney.
3. In the case of joint holders the signature of the person whose name stands first in the Register is sufficient.
4. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. CREST members should use the CREST electronic proxy appointment service and refer to Note 4 of the Notice of the Annual General Meeting in relation to the submission of a proxy appointment via CREST.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. To be effective this Form of Proxy, duly completed together with any power of attorney or other, if any, authority under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company's transfer agent Capita Registrars Limited, (PROXIES), The Registry, 34 Beckenham Road, Kent, BR3 4TU not less than 48 hours before the time fixed for the AGM.
8. The lodging of a completed Form of Proxy does not preclude a member from attending the AGM and voting.
9. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.
10. The quorum for the Annual General Meeting consists of two Shareholders in person or by proxy.