PRINCESS PRIVATE EQUITY HOLDING LIMITED

ANNUAL REPORT 2009

Annual report for the period from
1 January 2009 to 31 December 2009

Princess

PRINCESS PRIVATE EQUITY HOLDING LIMITED

Princess Private Equity Holding Limited ("Princess" / "Company") is an investment holding company domiciled in Guernsey that invests in private equity and private debt investments. The portfolio includes primary and secondary fund investments, direct investments and listed private equity investments. Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long-term.

The shares are traded on the Frankfurt Stock Exchange (in the form of co-ownership interests in a global bearer certificate) and on the London Stock Exchange.

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1 KEY FIGURES

IN EUR	31 DECEMBER 2009	31 DECEMBER 2008
Subs		
Audited net asset value (NAV)	514'297'225	579'658'742
NAV per share	7.34	8.27
Closing price (Frankfurt)	3.39	3.10
Premium over NAV (Frankfurt)	-53.79%	-62.51%
Closing price (London)	3.31	3.05
Premium over NAV (London)	-54.88%	-63.12%
Cash and cash equivalents	15'251'321	13'707'132
Use of credit facility	20'000'000	0
Audited value of private equity investments	516'927'880	557'211'889
Undrawn commitments	283'519'959	374'928'358
Investment level	100.51%	96.13%
Overcommitment	55.64%	60.81%

2 CHAIRMAN'S REPORT

Dear valued investor

In my role as Chairman of the Board of Princess Private Equity Holding Limited ("Princess"), I am pleased to present this Annual Report to you. I continue to have great confidence in the Princess portfolio and in its Investment Manager. I believe the actions taken in 2009 have substantially strengthened Princess and enhanced the position of your Company. The quality of the portfolio is remarkable and offers investors the advantages of broad diversification across sectors, industries, geographies and vintages.

Towards the end of 2009, Princess' underlying portfolio companies managed to benefit from the stabilizing global economy through being operationally active and creating further value in their business models. This resulted in a strong increase in the NAV in the second half of 2009. The recent valuation uplifts, however, were not able to offset fully the impact of the revaluation adjustments at the beginning of the year and currency movements, resulting in an overall NAV decline of 11.3% in 2009.

In order to decrease Princess' overcommitment ratio, the Investment Manager selectively reduced unfunded commitments by EUR 43 million with an overall negative impact on the NAV of less than 1%. The sale of the listed private equity investments and the new three-year credit facility, which is initially for EUR 40 million with the potential to be increased to EUR 90 million and is described in note 16 to the financial statements, strengthened Princess' liquidity position further.

The share price of Princess rebounded significantly in 2009 and closed the year up 9.4%. The decline in the share price at the beginning of the year was largely attributable to high levels of uncertainty in the global markets and, in particular, the sharp decline in the listed private equity universe.

Private equity investment and exit activity in the Princess portfolio and in the wider market gradually picked up during the second half of 2009. However, distributions from realized portfolio companies and drawdowns to fund new investments were below 2007 and 2008 levels. At the end of 2009, Princess was fully invested with an investment level of 100.5%.

Under the conservative assumptions of Princess' cash flow forecast for 2010, with only slowly increasing distributions and a pick-up in drawdowns, Princess' funding obligations are adequately covered by its new credit facility. Princess continues to be committed to pay its shareholders dividends out of distributions from realized portfolio companies. The next dividend payment will be made as soon as the liquidity position and the constraints imposed under the credit facility allow and as such the timing will depend on future market developments.

I and my fellow Directors would like to take this opportunity to thank investors for the confidence they have shown in Princess. With the new credit facility in place and unfunded commitments reduced, we believe Princess is well positioned to capitalize on attractive investment opportunities and to benefit from the re-opening of the exit window for its existing portfolio companies, thereby creating long-term shareholder value.

Brian Human, Chairman
Guernsey, February 2010

3 PRIVATE EQUITY MARKET ENVIRONMENT

Towards the end of 2009, the financial markets experienced a turning point as confidence returned, suggesting that the worst of the deepest global recession since the Great Depression was over. Hopes were further fueled by the recovery in the public stock markets, which began in March 2009, as well as by tentative signs that the massive fiscal stimulus packages and supportive monetary policies introduced by central banks and governments in most countries had averted a slump. These measures, together with the return of investor confidence, translated into a rebound in global GDP growth and by the end of the year several developed countries were moving out of a technical recession. Many emerging markets were less affected, and big, populous countries such as China, India and Indonesia did not even enter recession, but just suffered slower growth.

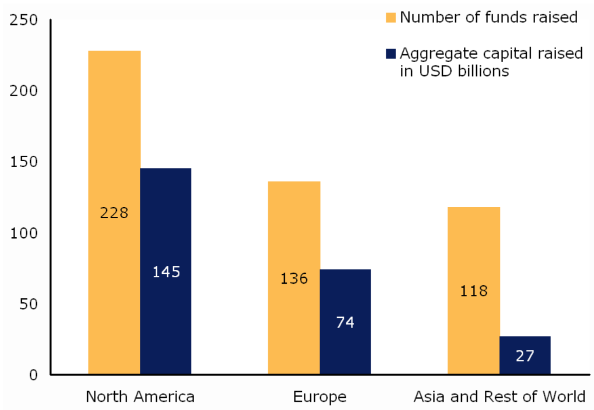
Private equity fundraising slows further

Given the uncertain market environment - particularly at the beginning of the year - the level of private equity fundraising was very low in 2009 as significant numbers of investors deferred making new commitments. According to figures released by research company Preqin, a total of 482 private equity funds with USD 246 billion in commitments from investors were raised globally in 2009, which is down 61% from the USD 636 billion raised in 2008 and represents the lowest annual fundraising since 2004. Instead of making commitments to new private equity funds, many investors focused their attention on their existing portfolios. They also took significantly longer to decide on any new private equity commitments: the average length of time taken for a fund to reach final closing increased to over 18 months compared to up to a year for funds to close in 2007.

The fact that many general partners raised new funds in the years before 2009 – Preqin estimates that up to USD 1.3 trillion was raised in 2007 and 2008 – means that they need to deploy significant amounts of capital before embarking on fundraising for a successor fund.

Geographically, the largest amount of fundraising took place in North America, with US-based firms raising 228 funds for a total of USD 145 billion; almost double the USD 74 billion raised by 136 funds in Europe. In Asia and the rest of the world, 118 funds raised USD 27 billion.

Fundraising by region



Source: Preqin

Cautious private equity investment activity

The private equity asset class has proven to be resilient in the current challenging market environment and to truly have a valid business model that is adaptable to changing economic conditions. High-quality private equity managers have adapted quickly to the changed environment and focused increasingly on value creation through operational improvements, revenue growth and cost reductions. Furthermore, scarcity of debt capital has led to higher equity contributions for many recent investments.

As macroeconomic conditions began to improve in the second half of 2009, general partners increasingly closed on new investments as they were able to more accurately assess the value of acquisition targets, which instilled greater confidence in deal making. This is in clear contrast to the first half of 2009 when general partners were mainly focused on working together with their existing portfolio companies instead of making new investments. Over the full year 2009 the value of global private equity investments decreased by 55% to USD 147 billion. The number of private equity deals fell back by 38% to 2'970 deals in 2009 from 4'790 transactions in 2008, which was already down 12% from the 5'440 deals completed in 2007.

Although the availability of debt financing showed the first signs of improving during the course of the year, loan financing to private equity firms dropped by a sharp 90% in 2009, according to data provider Dealogic. In 2009 the volume of financial sponsor loan financing globally was USD 14 billion, compared to USD 144 billion in 2008. Most affected by this were the large-cap and mega-large-cap buyout segments, which typically rely most on large amounts of leverage in their investments. Nevertheless, investment activity in the buyout segment did not come to a complete halt: financial sponsors continued to make selective acquisitions at attractive entry valuations using reduced or no leverage.

Valuations recover in the second half

With the deterioration in the global recessionary macroeconomic environment and the strong correction in public equity markets, which sharply reduced the values of comparable public companies, the private equity industry faced significant downward revaluations at the end of 2008 and in the first half of 2009. However, private equity fund valuations started to rebound in mid-2009, suggesting that the private equity market had indeed stabilized. On the one hand, rising public market comparables supported valuations, but more importantly general partners' operational initiatives had succeeded in getting the companies through the difficult economic time. General partners had adapted quickly to the changed environment and focused increasingly on value creation through operational improvements, revenue growth and cost reductions.

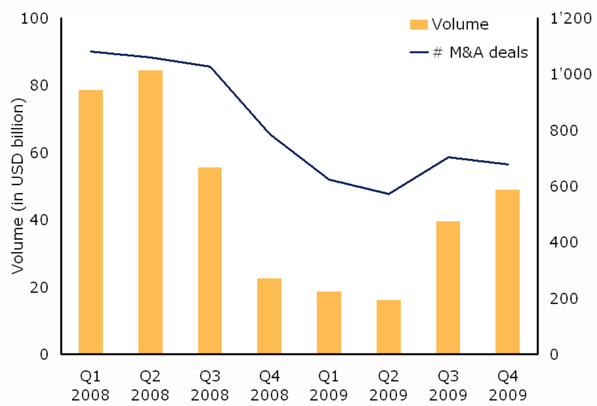
Private equity exit activity picks up towards the end of the year

In line with the gradual increase in investment activity, the exit window for private equity portfolio companies showed signs of re-opening in the second half of 2009, driven to a large extent by the recovery in public equity markets. This also meant that towards the end of the year private equity firms could benefit from higher prices for their portfolio companies as the exit values for portfolio companies are to a certain degree influenced by the share price development of comparable listed companies.

Notable is the turnaround in private equity-backed initial public offering ("IPO") activity. Due to positive macroeconomic trends and greater confidence among financial market participants, a number of private equity managers have started to prepare several of their portfolio companies for IPOs. After a challenging market environment in the first half of 2009, the market for IPOs came back to life in the last six months of 2009 when more money was raised from public market listings than in the whole of 2008. Of the USD 16 billion raised from IPOs in 2009, 97% was raised in the second half of the year, according to data provider Dealogic.

At the same time as IPOs were fast gaining momentum, so also were trade sales of private equity portfolio companies to corporates as merger and acquisition ("M&A") activity picked up towards the end of the year. Since general partners are not required to exit their companies at prices that they consider too low, they can choose to continue growing their companies and create value until the exit environment becomes more favorable again.

Private equity M&A activity



Source: Thomson Reuters

Secondaries: closing the gap between buyers' and sellers' price expectations

Just as the investment pace and exit environment for private equity portfolio companies picked up towards the end of 2009, secondary market investment activity also increased towards year's end. Although, according to NYPPEX Private Markets, the volume of transactions closed in the secondary market was 39% lower in 2009 than in 2008, deal flow was relatively high.

However, the pricing gap between sellers of private equity fund stakes and buyers was relatively large in the first half of 2009, which meant that not many transactions were actually closed. This was due to a high level of uncertainty in the market and limited visibility on the macroeconomic outlook and performance of single companies. As a result, many buyers and sellers were very cautious in their valuations and, in the first half of 2009, only distressed sellers with immediate liquidity needs were willing to sell their holdings.

In the second half of the year, however, stabilizing NAV developments led to increased visibility and relative discounts became smaller, with the average bid price at about 72% of net asset value, up from 40% in the first half of the year, according to research from Cogent Partners. This resulted in more transactions being closed as secondaries could be completed at lower discounts, which meant more attractive prices for many sellers.

Venture capital less affected by scarcity of debt finance

US venture capital firms raised USD 15 billion in 2009, the lowest amount raised since 2003. According to the National Venture Capital Association and Thomson Reuters, only 120 venture capital funds raised money last year, the lowest number since 1993.
Investment activity in the venture capital segment was less affected by the challenging market environment compared to the buyout segment. This was to a large extent due to the fact that venture capital investors typically exclusively use equity to finance their investments and therefore do not rely on access to debt financing. In total, 2009 saw USD 21 billion in venture capital invested into 2'489 deals, which is a 31% decrease from 2008 when USD 31 billion was invested in 2'817 deals, according to Dow Jones VentureSource. In the fourth quarter of 2009, however, venture capital deal activity returned

to levels seen before the collapse of the financial markets.

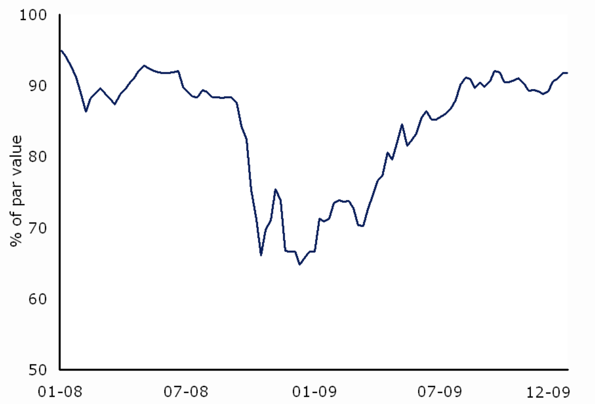
Venture-backed company exit activity showed promising signs of life during the fourth quarter of 2009, according to the National Venture Capital Association and Thomson Reuters, with five venture-backed IPOs and M&A exits recording the highest quarterly average since the fourth quarter of 2007. Over the full year 2009, exit activity in the venture capital segment fell short of historical norms, with 13 venture-backed IPOs and 262 M&A transactions, despite the exit window re-opening in the fourth quarter.

In the first half of the year, discretionary write-downs were made to reflect the deteriorating economic environment and more mature companies also experienced declining revenues during that period. In the second half of 2009, however, the first write-ups were experienced as publicly listed companies benefited from the recovery in stock market levels. In addition, first "up-round" financings were completed by several companies, showing higher valuations in the current financing round compared to the previous financing round.

New investment cycle for private debt

The leveraged loan market finally started to revive after a period of heightened uncertainty in the financial markets and panic-like levels of risk aversion. From the first half of 2009, confidence in the debt markets increased along with the realization that the fall-out from the worst recession in seven decades was turning out to be less severe than expected. Standard and Poor's have revised downwards their default rate expectations. Defaults are believed to have peaked below 15% in late 2009.

Recovery in secondary loan prices



Source: LCD Leveraged Loan Review Q4 2009 (European average bid price for flow names)

In early 2009, a number of senior and mezzanine loan tranches changed hands in the secondary market at deep discounts as distressed sellers sought to offload loans to generate liquidity. Secondary loan prices subsequently rallied strongly as the macroeconomic environment stabilized and visibility on the operating performance of individual companies increased. As a result, secondary loan prices rebounded by more than 50% from their trough in December 2008.

Encouraged by the revival in the buyout space towards the end of the year, leveraged loan providers showed increased willingness to support transactions, particularly those with conservative terms and in stable industries, as a way to profitably deploy their excess liquidity. Sponsored loan volume increased substantially in the fourth quarter of 2009 to more than EUR 2 billion in new issuance. This represents 51% of total sponsored loan volume for 2009 and the highest figure in five quarters. Because many financial institutions – in particular banks – reduced their supply of debt in an attempt to deleverage their balance sheets, terms for mezzanine lenders became more attractive as they gained bargaining power. Mezzanine providers benefited in particular from the reduced leverage in recent buyout investments, higher equity contributions, full sets of covenants and equity kickers.

OUTLOOK

A new investment environment

At the beginning of 2010, economic indicators were continuing to improve globally, driven mainly by the resolute actions of central banks and governments. However, the short- to medium-term economic outlook for the advanced economies, especially the United States, the euro zone and the United Kingdom, remains uncertain. The growth momentum of the emerging markets, especially China and India, is increasingly becoming an important driver for the global economy.

The world economy is expected to grow by 4% in 2010. The developed economies are expected to expand by 2.4% and the developing economies by 6.4%.

Promising investment years

With valuations and thus entry prices having come down significantly and liquidity constraints easing slowly, the investment years 2009/2010 promise to be highly profitable. As in the past, economically difficult vintage years offer highly attractive opportunities for investors like the Investment Manager that have the necessary expertise, network and capital to be active in a liquidity-squeezed market. Key to investors taking advantage of the opportunities available is access to direct investment opportunities and to top funds still with capital to deploy.

2010 will be the test for raising new funds. As in earlier crises, it is expected that there will be a market shakeout, with around one third of managers not returning to market. Top-quality managers should be successful, though fundraising periods are likely to be much longer.

Increasing demand for capital solutions

Because capital – despite slight easing – remains scarce, investment opportunities continue to abound. Over the next nine to twelve months, however, distressed (restructuring) opportunities are expected to be overshadowed by capital solutions opportunities as default rates are peaking and the economy is beginning to recover. Capital solutions refer to special situations where companies need capital to execute their growth strategies, be it rolling out facilities or making acquisitions.

Secondary pricing has adjusted

The acute distress in the secondary market has eased and deal flow from liquidity-driven or distressed sellers is disappearing. However, secondary opportunities are still abundant, though they tend now to be more structurally driven: so far, banks and other financial institutions have only partially turned to the secondary market to dispose of non-core assets in order to avoid losses on their portfolios. Many private equity investors continue to be overallocated to the asset class or have leverage running against their private equity assets. Furthermore, with the expected increase in general partner investment activity in 2010, net cash flows will become negative for many investors as distributions will likely remain at low levels in the near term; selling activity will thus continue well into 2010.

Both the more cautious economic outlook and generally lower growth expectations have by now been priced into most portfolios and NAVs have adjusted accordingly. Consequently, buyers are willing to buy at smaller discounts and have a definite focus on select quality investments and top-quartile managers that have managed to weather the crisis well.

Further growth in Asia

Going forward, Asia and the emerging markets are expected to outpace the growth rate of the industrialized world. Asia has proven to be relatively resilient to the economic downturn and has decoupled its economy to a certain degree from the developed world, recovering faster than expected. Consequently, investments with cyclical exposure in this region constitute attractive opportunities for participating in this development. The Asian private equity market is, moreover, gaining in investment momentum and sustainability. Private equity deal flow has been particularly strong in the large Asian emerging markets, such as China and India, which have a better macroeconomic outlook.

Debt markets are finally reviving

The leveraged loan market has finally started to revive after a period of heightened uncertainty in the financial markets and panic-like levels of risk aversion. With the window of opportunity in the secondary market closing, the main focus has shifted back to the primary mezzanine market. There has been a revival in M&A activity: several large leveraged buyout deals have appeared and various private equity firms are now actively looking for mezzanine financing for them. New mezzanine deals can offer highly attractive terms including LIBOR floors and non-call features, while also benefiting from higher equity contributions, full sets of covenants, warrants and equity kickers.

In addition, in most of the advanced economies, banks are concentrating on deleveraging their balance sheets - an activity which will occupy them for several years to come. Banks are restricting their lending to their prime clients at the very high end of the capital structure and at conservatively tight terms; small- and mid-cap companies are therefore falling below the banks' radar screen - and this is providing an opportunity for providers of private capital to step in.

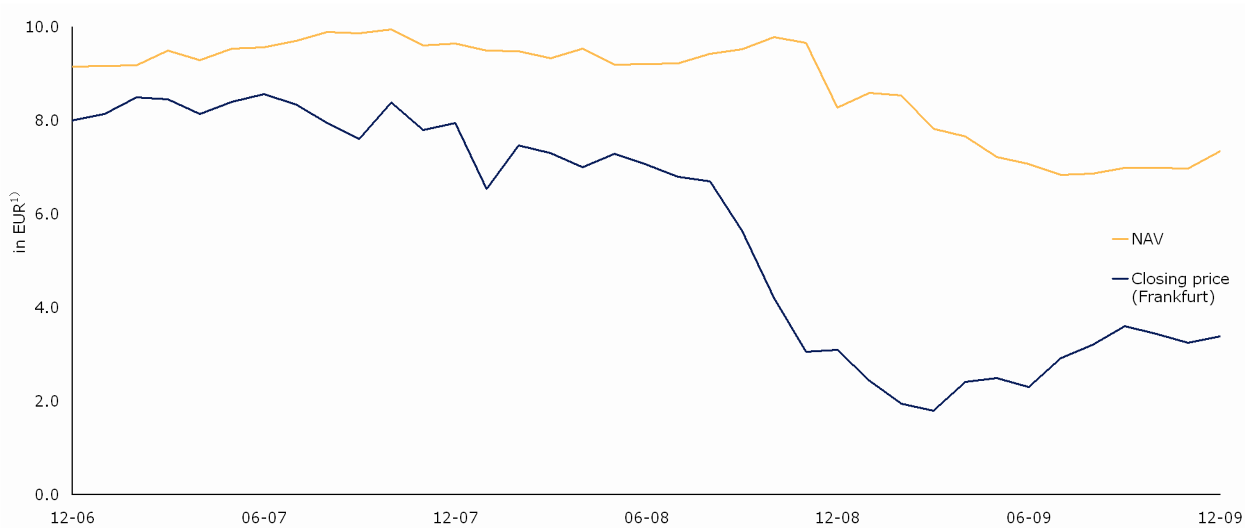
4 INVESTMENT MANAGER'S REPORT

The Princess portfolio with its broadly diversified and high quality portfolio companies saw a recovery in the underlying valuations in the second half of 2009. The macroeconomic environment gradually improved after what had been a challenging start to the year due to the impact of the global financial crisis on private equity valuations. Similar to the trend in the global equity markets, the share price of Princess recorded sharp losses up until March 2009, then recovered significantly and closed in Frankfurt up 9.4% on the year.

NAV shows signs of recovery in second half of year

Based on year-end valuations, the audited NAV of Princess stood at EUR 514 million, or EUR 7.34 per share, as at the end of December 2009, down 11.3% from the EUR 580 million as at the end of December 2008. This decrease was largely incurred in the first half of the year when there was still much uncertainty about the global macroeconomic environment. The recovery in valuations in the second half of the year was mirrored in the 5.0% rise in the NAV of Princess in the fourth quarter of 2009.

The main contribution to the development of the NAV in 2009 came from revaluations of Princess' underlying investments. During the first half of the year, these revaluations mainly reflected the prevailing global recessionary macroeconomic environment, the deteriorating operating performance of some underlying portfolio companies and, particularly at the beginning of the year, falling public comparables. Towards the end of the year, however, Princess' underlying portfolio companies managed to benefit from the stabilizing global economy through being operationally active and creating additional value in their underlying businesses. The strong rebound in the public equity markets saw the value of comparable public companies rise, which in turn had a favourable influence on the NAV of Princess, partially offsetting the negative impact of the decline in comparable



1) NAV and price prior to conversion stated in USD

multiples at the beginning of the year. Overall, there was a 7.1% write-up in the NAV in the second half of 2009. These valuation uplifts, however, were not able to fully offset the impact of the revaluation adjustments at the beginning of the year. Over the twelve-month reporting period, valuation adjustments to the portfolio had an unfavorable impact on the NAV of 5.8%.

Princess completely divested its listed private equity investments in the summer of 2009 in order to profit from the rebound in share prices in the months before their sale, generating a further EUR 7 million in liquidity. Over the full reporting period, the development of the listed private equity investments had a positive impact on the NAV of 0.1%.

The positive effects from the appreciation of the US dollar against the Euro at the beginning of 2009 were negated by its subsequent depreciation. Princess uses options to limit the negative effects from currency movements between the US dollar and the Euro, which generally leads to increased NAV volatility in the short term while minimizing the effect on Princess' liquidity position. Over the twelve-month reporting period, currency movements had a negative impact on the NAV of 2.9%.

Princess share price up by 9.4% in 2009

The share price of Princess, after moving sharply lower in the first quarter of the year in tandem with the listed private equity market as a whole, subsequently rebounded and managed to close the year 9.4% higher at EUR 3.39 per share in Frankfurt. The first quarter decline in the share price of Princess resulted from the unprecedented levels of uncertainty and the loss of market confidence and, in particular, a sharp fall in the listed private equity universe.

Despite the discount to the NAV narrowing in 2009 it still stood at 53.8% as at the end of December. The Investment Manager believes that the current share price does not reflect the quality of the Princess portfolio, especially given that valuations rebounded considerably in the second half of the year and that the portfolio is broadly diversified with an overweighting in small- and mid-cap buyout investments.

Active portfolio management measures positioning Princess for the future

As part of its active portfolio management approach, the Investment Manager selectively decreased unfunded commitments by EUR 43 million in mid-2009 in order to reduce the overcommitment ratio and maintain a healthy position. Rather than selling mature fund interests at steep discounts in the secondary market, the Investment Manager carefully divested a minority of partnerships with high unfunded commitment levels. These transactions had an overall negative impact on the NAV of less than 1%. In this context and in view of the challenging market environment, the Investment Manager did not make any new commitments during the year. As at the end of 2009, the reduction in unfunded commitments, together with the divestment of listed private equity investments, strengthened Princess' portfolio and liquidity position. Unfunded commitments fell from EUR 375 million at the end of 2008 to EUR 284 million at the end of 2009 through a combination of the above-mentioned reduction in commitments and normal drawdowns for new investments. The overcommitment ratio fell from 60.8% to 55.6% in the same period.

New credit facility provides continued stability

The Board of Directors of Princess signed a new three-year credit facility on 25 September

2009 which is described in note 16 to the financial statements. The credit facility has initially been set at EUR 40 million with the potential to be increased to EUR 90 million. The purpose of the new credit facility is to meet the funding obligations under Princess' commitment strategy following the expiry of the previous credit facility on 31 December 2009. As at the end of December 2009, Princess had drawn down EUR 20 million under the credit facility, while cash and cash equivalents amounting to EUR 15 million, which resulted in Princess being fully invested with an investment level of 100.5%. With the new credit facility in place, the Investment Manager considers Princess to be in a comfortable liquidity position with sufficient headroom for future funding obligations.

Investment pace picks up towards end of 2009

In 2009, Princess funded a total of EUR 47 million in capital calls from its portfolio partnerships for new and follow-on investments. This compares with a total of EUR 124 million in capital calls in 2008, which was already below the level for 2007. Few traditional buyout transactions, especially in the large-cap and mega-large-cap buyout segment, could be completed in 2009 because of continued difficulty in securing debt financing. Princess' portfolio partnerships nevertheless made some selective investments in 2009, including follow-on investments to strengthen existing portfolio companies, investments in companies located in emerging markets and acquisitions of non-core businesses from large corporations.

Enara Group, a leading UK-based independent provider of private and social services-based home care, for instance, made a series of add-on acquisitions as part of its buy-and-build strategy in what is a strong non-cyclical growth industry. An example of an emerging markets investment is Navis Asia Fund V's acquisition of a controlling stake in Edutech, an Indian education company. It aims to increase the number of Edutech campuses and expand its range of courses. An example of the acquisition of a corporation's non-core business is the purchase of a majority stake in online phone company Skype Technologies from its corporate owner, eBay, by an investor group led by Silver Lake Partners III.

Exit environment improves in second half of year, giving rise to first quarterly cash inflow since 2007

In line with the increased investment pace, exit opportunities started to re-emerge in the second half of the year. Princess received EUR 42 million in distributions in 2009, down on the 2008 total of EUR 75 million. Small and medium-sized companies, however, continued to be successfully exited from the portfolio. For example, Dolphin Communications Fund sold Gomez, a leading application performance management software company, to Compuware, generating a 7.7x multiple. Other examples include 3i Eurofund Vb's exit of its residual stake in marine heavy lifting business Dockwise, earning a return of twice its original investment. And in the second quarter of 2009, MedServe, a US company specializing in medical and hazardous waste management services, was sold to Nasdaq-listed Stericycle for USD 185 million. Medserve had been acquired by private equity investors in 2006 for USD 70 million. The pick-up in exit activity particularly towards the end of the year led to a further narrowing of cash outflows (defined as drawdowns less distributions).

Although there was a net cash outflow of EUR 5 million in 2009 (defined as drawdowns less distributions), the Princess portfolio was actually generating EUR 4 million more distributions than drawdowns in the fourth quarter of the year, resulting in the first positive quarterly cash flow since 2007.

OUTLOOK FOR PRINCESS

In the second half of the year valuations were increasingly being driven by the high quality of Princess' portfolio companies. Provided there is no reversal of the current trend in the global macroeconomic environment, the Investment Manager believes that the bulk of portfolio company valuations should continue to develop positively in 2010.

The Investment Manager anticipates that private equity deal activity will gain further momentum over the coming year. Drawdowns and distributions from the portfolio partnerships and the direct investments should steadily increase, though capital called to fund new investment opportunities is likely to exceed distribution proceeds from realized investments. When it comes to new investments, the portfolio partnerships are expected to focus in 2010 on small and medium-sized transactions because debt financing is still likely to be relatively difficult to obtain for large buyout investments. Private equity investors will also seek to develop their existing portfolio companies further and enhance their value through add-on acquisitions.

Although the current market environment is not truly comparable to that of the last global recession, the experience of 2003 and 2004 shows that distributions from private equity investments can pick up quickly and substantially after a downturn. Although the Investment Manager does not rule out the possibility of such a development in the next few years, cash flow planning for Princess is based on conservative assumptions, including only slowly rising distributions. Even in this conservative scenario, Princess' future funding obligations are adequately covered by its new three-year extended credit facility. Princess continues to be commited to pay its shareholders dividends out of distributions from realized portfolio companies. The next dividend payment will be made as soon as the liquidity position and the constraints imposed under the credit facility allow, and as such the timing depends on the future market developments.

The Investment Manager has high confidence in the Princess portfolio with its broadly diversified, high-quality investments, which are managed by leading private equity investors. Princess is well positioned to be able to capitalize on attractive investment opportunities in the market, benefiting from the currently relatively low entry valuations for new investments and providing the portfolio with further high-quality deals.

PORTFOLIO ALLOCATION

Increase in allocation to direct investments

The portfolio largely comprises primary investments, which constituted 83% of the portfolio (against 84% in 2008). The allocation to direct investments increased to 15% as at the end of 2009. Following the decision in 2008 to reduce significantly the allocation to the listed private equity asset class, Princess completely divested its listed private equity investments in mid-2009 and profited from the rebound in share prices in the months before their sale. The allocation to secondary investments remained unchanged at 2% of the portfolio.

Increase in special situations allocation

The allocation to special situations investments increased to 15% of the portfolio during the reporting period and reflects, in particular, the ramp-up of the distressed portfolio under the relative value investment approach. Under this approach, the most attractive opportunities at any given time are selected and thus several of the commitments that Princess made in 2008 were to funds that focus on distressed, turnaround and special situations investments. At 64% of the Princess portfolio, the allocation to the buyout segment slightly increased compared to the end of 2008, with the majority of investments in the small-cap to mid-cap space. The allocation to the large-cap and mega-large-cap buyout segment was only 29% of the portfolio as this segment has been underweighted by Princess early on. Finally, the share of venture capital investments in the portfolio decreased from 24% at the end of 2008 to 21% at the end of 2009.

Asia & rest of world allocation has increased

The geographical exposure of the Princess portfolio by value at the end of 2009 was split between North America (57% and unchanged from 2008), Europe (33% against 36% in 2008) and Asia & rest of world (10% against 7% in 2008).

Well-balanced industry allocation

The Princess portfolio is broadly diversified across a wide range of industries, with a relatively high allocation to more stable, non-cyclical industry sectors such as life sciences, healthcare and communication & media. These industry sectors, whose combined portfolio allocation increased to 34%, were less affected by 2009's challenging environment and lent stability to the Princess portfolio. Included here are healthcare companies such as Nycomed, a global pharmaceutical company, and Lantheus Medical Imaging, a worldwide leader in medical imaging, as well as TDC, a leading provider of communications solutions in Denmark, and German cable company Kabel Deutschland. The allocation to the financial services and retail industries remained virtually unchanged compared to the end of 2008, whereas the allocation to the industrial production and manufacturing sectors decreased by 4% and the IT & high-tech exposure increased by 2%.

Well-balanced split by investment year

The maturity of the Princess portfolio is further underpinned by a healthy level of diversification across investment years. Almost 40% of Princess' current investments were made before 2006 when prices for new investments started to increase significantly. These portfolio companies have subsequently been developed by their private equity owners in readiness for a future exit. Of the more recent investment years, a significant share of the investments made in 2007 reflects the ramp-up of the allocation to direct investments. An additional 20% of Princess' current investments were made in the last two years during a period which may become a very good vintage due to attractive entry valuations. Overall, almost 60% of Princess' current portfolio was invested in less expensive vintage years.

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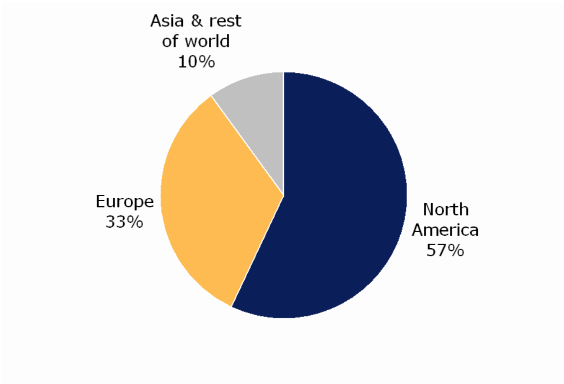
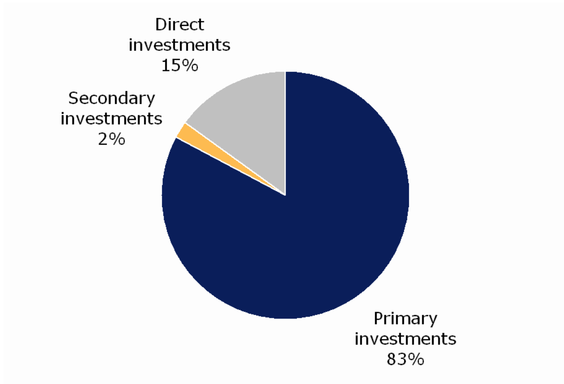
5 PORTFOLIO ALLOCATION

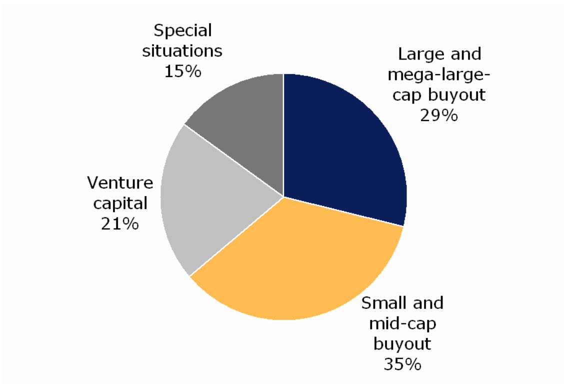
INVESTMENT VALUE* BY GEOGRAPHIC REGION



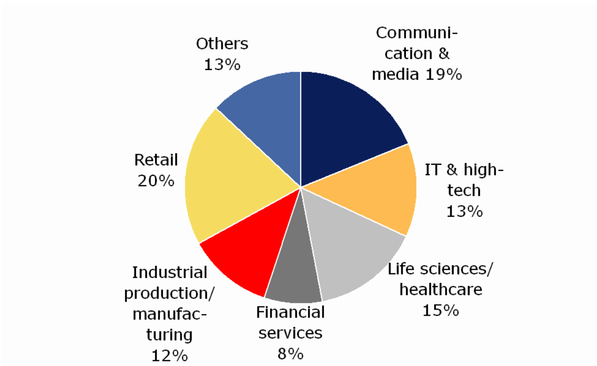
INVESTMENT VALUE* BY INVESTMENT TYPE



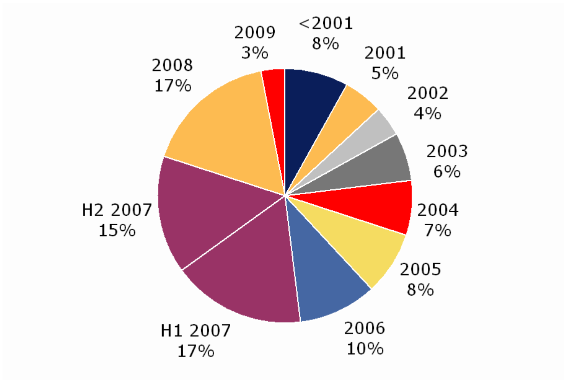
INVESTMENT VALUE* BY FINANCING STAGE



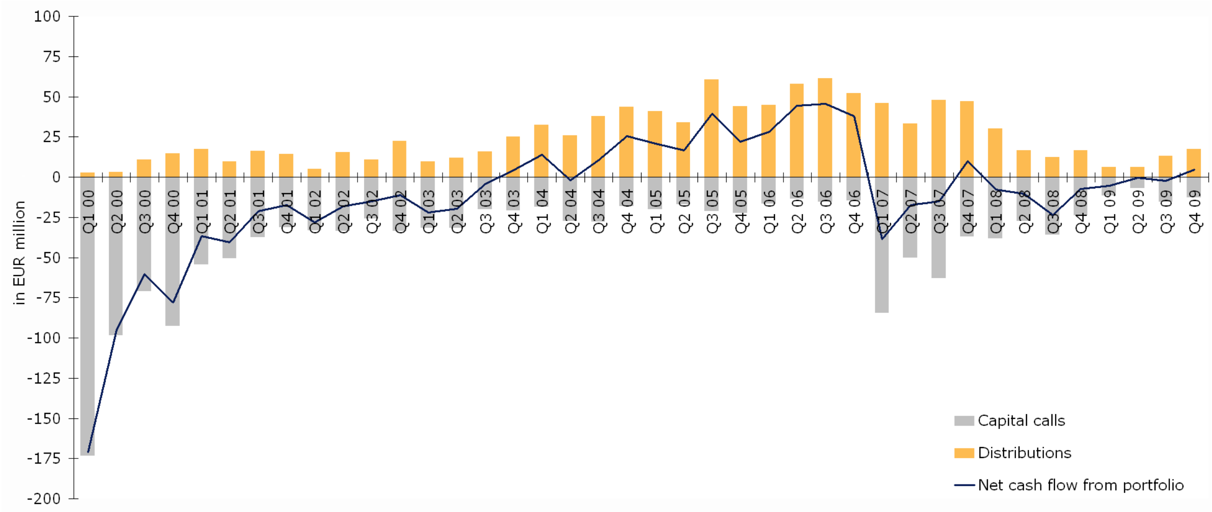
INVESTMENT VALUE* BY INDUSTRY SECTOR



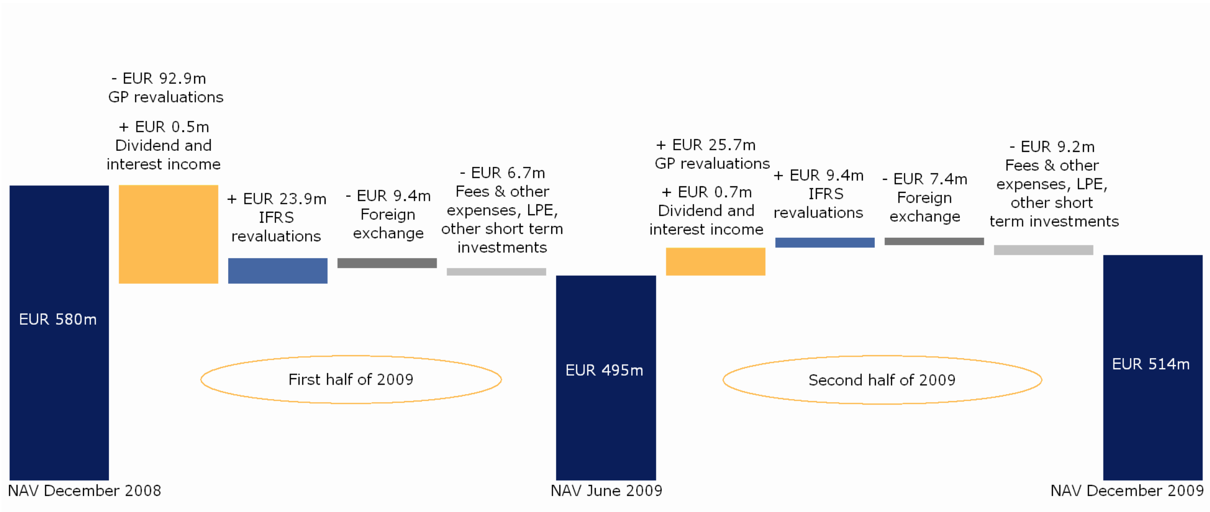
INVESTMENT VALUE* BY INVESTMENT YEAR



DEVELOPMENT OF NET CASH FLOWS



NAV PERFORMANCE ATTRIBUTION IN 2009



* based on investment value

6 PORTFOLIO TRANSACTIONS

In 2009, Princess funded EUR 47 million in capital calls from partnerships and received EUR 42 million in distributions. Unfunded commitments at the end of the quarter totaled EUR 284 million.

Selected investments

- Edutech

In April, Navis Asia Fund V acquired a controlling stake in Edutech, an education company offering post-graduate and part-time executive programs at seven campuses across India, for USD 30 million. Edutech has a strong brand name, and currently demand for its courses exceeds availability. The capital will therefore be used to increase Edutech's number of campuses and to expand its curriculum. Education is generally a defensive business with limited downside risk with respect to the economic cycles.

- CETIP

In May, Advent Latin America Private Equity Fund IV acquired a 30% stake in CETIP S.A., the largest depository for private fixed-income securities and over-the-counter derivatives in Latin America, for approximately USD 170 million, subject to an earn-out achievement and other conditions. CETIP, which has USD 1.1 trillion in assets under custody, is the only player in the Brazilian market to provide custody of interbank deposits, short-term deposits and quoted funds. In October, the fund realized parts of its investment in CETIP when it listed the company on the Sao Paulo Stock Exchange. A total of USD 508 million was raised in the initial public offering.

- Bankrate

In July, Apax Europe VII and Apax US VII, L.P. entered into an agreement to acquire Bankrate, a leading operator of internet consumer banking and personal finance networks. Bankrate aggregates rates and other information on financial products and has a strong market position in the online financial services market. Its extensive network of companies that helps consumers make informed decisions about their personal finance matters serves as a sound platform for further growth. Apax successfully completed a tender offer to acquire all of Bankrate's outstanding common stock. The transaction, valued at approximately USD 571 million and successfully completed in September, was among the bigger private equity deals in 2009.

Selected exits

- Medserve

During the fourth quarter, Avista Capital Partners (Offshore) completed the sale of portfolio company Medserve Inc, a Houston-based company specializing in medical and hazardous waste management services, to Nasdaq-listed Stericycle for approximately USD 185 million. Medserve had been acquired by a group of investors led by Avista in 2006 for USD 70 million. As a result of the private owners' clear growth strategy for the company, Medserve grew rapidly, integrating more than 20 companies into its operations and making significant inroads in consolidating its position in the waste management sector.

■ easycash

In September, Warburg Pincus Private Equity IX agreed to sell 100% of German payment firm easycash to payment solutions group Ingenico for EUR 290 million. Since Warburg Pincus acquired Munich-based easycash in 2006, the company has grown significantly, both organically and via six acquisitions, consolidating its position as a major participant in the German payment sector. Following regulatory approval, the transaction was completed at the end of November.

■ Gomez

In December, Dolphin Communications Fund realized its entire stake in Gomez, which was bought by Compuware for USD 295 million. Gomez provides solutions for optimizing the performance, availability and quality of its clients' online and mobile applications. It serves over 2'500 clients worldwide. Dolphin, which first invested in the company in 2000, has worked closely with Gomez's senior management team to position the company as a leader in the web application management space. The exit generated an impressive 7.7x return for the partnership.

7 PORTFOLIO OVERVIEW

for the period ended 31 December 2009 (in EUR)

					Since inception	
Investment	**Type of investment**	**Financing stage**	**Regional focus**	**Vintage year**	**Total commitments**	**Contributions**
3i Eurofund Vb	Primary	Buyout	Europe	2006	10'000'000	5'851'600
3i Europartners IIIA, L.P.	Primary	Buyout	Europe	1999	20'000'000	18'074'976
3i India Infrastructure Fund D L.P.	Primary	Special situations	Asia-Pacific	2007	330'047	158'846
Abingworth Bioventures III, L.P.	Primary	Venture capital	Europe	2001	2'407'647	2'300'734
Abris CEE Mid-Market Fund, L.P.	Primary	Buyout	Rest of World	2007	817'753	317'179
Advanced Technology Ventures VI, L.P.	Primary	Venture capital	North America	2000	5'187'928	5'187'928
Advent Central & Eastern Europe IV, L.P.	Primary	Buyout	Rest of World	2008	1'065'766	111'999
Advent International GPE VI, L.P.	Primary	Buyout	Europe	2008	2'180'674	577'879
Advent Latin American Private Equity Fund II, L.P.	Primary	Buyout	Rest of World	2001	4'238'336	4'238'336
Advent Latin American Private Equity Fund IV, L.P.	Primary	Buyout	Rest of World	2007	3'759'576	2'774'298
Advent Latin American Private Equity Fund V, L.P.	Primary	Buyout	Rest of World	2009	743'606	0
Affinity Asia Pacific Fund II, L.P.	Secondary	Buyout	Asia-Pacific	2003	467'900	461'066
Affinity Asia Pacific Fund III, L.P.	Primary	Buyout	Asia-Pacific	2007	1'004'687	479'647
AHT Cooling Systems GmbH	Direct	Special situations	Europe	2007	4'023'847	4'023'847
Aksia Capital III, L.P.	Secondary	Buyout	Europe	2005	5'500'000	4'416'795
Alinda Infrastructure Parallel Fund II, L.P.	Primary	Special situations	North America	2008	2'050'235	474'009
American Securities Partners III, L.P.	Primary	Buyout	North America	2001	4'271'365	4'091'337
Anonymized Asian Buyout Fund 3	Primary	Buyout	Asia-Pacific	2007	n.a.	n.a.
Anonymized Asian Venture Fund 1	Primary	Venture capital	Asia-Pacific	2007	415'573	137'500
Anonymized Emerging Markets Buyout Fund 1	Primary	Buyout	Rest of World	2007	n.a.	n.a.
Anonymized Emerging Markets Venture Fund 2	Primary	Venture capital	Rest of World	2008	4'191'342	747'759
Anonymized European Buyout Fund 3	Primary	Buyout	Europe	2008	1'635'505	446'478
Anonymized European Buyout Fund 7	Primary	Buyout	Europe	2007	n.a.	n.a.
Anonymized European Buyout Fund 9	Primary	Buyout	Europe	2009	9'307'662	7'368'566
Anonymized US Buyout Fund 2	Primary	Buyout	North America	2007	10'988'192	3'256'700
Anonymized US Buyout Fund 8	Primary	Buyout	North America	2007	1'381'934	181'738
Anonymized US Buyout Fund 9	Primary	Buyout	North America	2005	n.a.	n.a.
Anonymized US Distressed Fund 1	Primary	Special situations	North America	2009	619'901	89'674
AP Investment Europe Limited	Primary	Special situations	Europe	2006	5'000'000	5'000'000
APAX Europe VII - B, L.P.	Primary	Buyout	Europe	2007	4'487'230	2'131'434
APAX Excelsior VI, L.P.	Primary	Venture capital	North America	2000	4'677'166	4'552'347
Apax US VII, L.P.	Primary	Buyout	North America	2006	7'180'031	5'557'266
Apollo European Principal Finance Fund (Feeder)	Primary	Special situations	Europe	2008	899'684	373'906
Apollo Investment Fund V, L.P.	Primary	Buyout	North America	2001	9'363'033	12'833'128

					Since inception	
Investment	**Type of investment**	**Financing stage**	**Regional focus**	**Vintage year**	**Total commitments**	**Contributions**
Apollo Overseas Partners (Delaware) VII, L.P.	Secondary	Buyout	North America	2008	491'043	96'164
Apollo Overseas Partners VI, L.P.	Primary	Buyout	North America	2005	18'009'728	19'745'176
Apollo Overseas Partners VII, L.P.	Primary	Buyout	North America	2008	13'977'580	5'149'855
Archer Capital Fund 4, L.P.	Primary	Buyout	Asia-Pacific	2007	765'452	236'705
Arcos Dorados Limited	Direct	Buyout	Rest of World	2007	308'941	308'941
Ares Corporate Opportunities Fund II, L.P.	Primary	Special situations	North America	2006	14'114'940	14'325'649
Ares Corporate Opportunities Fund III, L.P.	Primary	Special situations	North America	2008	7'534'981	2'143'366
Ares Corporate Opportunities Fund III, L.P.	Secondary	Special situations	North America	2008	560'275	116'924
AsiaVest Opportunities Fund IV	Secondary	Venture capital	Asia-Pacific	2004	25'984	25'984
Astorg II, FCPR	Primary	Buyout	Europe	1998	9'400'000	9'193'973
August Equity Partners II A, L.P.	Primary	Buyout	Europe	2007	8'332'600	4'002'653
Austin Ventures VII, L.P.	Primary	Venture capital	North America	1999	5'030'577	4'863'267
Avaya Inc.	Direct	Buyout	North America	2007	113'695	113'695
Avista Capital Partners (Offshore), L.P.	Primary	Buyout	North America	2005	13'940'868	15'335'761
AWAS Aviation Holding	Direct	Buyout	Europe	2006	4'500'000	4'500'000
AXA LBO Fund IV	Primary	Buyout	Europe	2007	1'090'337	380'354
Axcel III K / S 2	Secondary	Buyout	Europe	2007	151'396	129'385
Baring Asia Private Equity Fund IV, L.P.	Primary	Venture capital	Asia-Pacific	2007	867'877	572'585
Baring Asia Private Equity Fund IV, L.P.	Secondary	Venture capital	Asia-Pacific	2007	185'500	118'114
Battery Ventures VI, L.P.	Primary	Venture capital	North America	2000	4'201'154	4'201'154
BC European Capital VIII, L.P.	Primary	Buyout	Europe	2005	10'000'000	6'380'000
Blackstone Communications Partners I, L.P.	Primary	Buyout	North America	2000	8'710'274	9'406'748
Blackstone Mezzanine Partners, L.P.	Primary	Special situations	North America	1999	3'558'985	2'772'433
Bridgepoint Europe I 'D', L.P.	Primary	Buyout	Europe	1998	30'909'504	30'281'543
Bridgepoint Europe III, L.P.	Primary	Buyout	Europe	2005	7'500'000	6'549'075
Bruckmann, Rosser, Sherrill & Co. II, L.P.	Primary	Buyout	North America	1999	13'696'841	14'327'356
Candover 2005 Fund, L.P.	Primary	Buyout	Europe	2005	10'000'000	8'444'892
Capital Today China Growth Fund II, L.P.	Primary	Venture capital	Asia-Pacific	2009	178'465	0
CapVis Equity II, L.P.	Secondary	Buyout	Europe	2003	174'080	165'012
Cardinal Health Partners II, L.P.	Primary	Venture capital	North America	2000	4'579'441	4'552'315
Carlyle Asia Growth Partners IV, L.P.	Primary	Venture capital	Asia-Pacific	2008	326'795	36'020
Carlyle Partners III, L.P.	Primary	Buyout	North America	1999	9'515'019	10'228'580
Carmel Software Fund (Cayman), L.P.	Primary	Venture capital	Rest of World	2000	9'243'133	9'422'023
Catterton Partners IV Offshore, L.P.	Primary	Venture capital	North America	1999	15'648'552	17'071'346
CDH Fund IV, L.P.	Primary	Venture capital	Asia-Pacific	2009	237'954	0
Chancellor V, L.P.	Primary	Venture capital	North America	1999	18'995'315	17'311'014
Chase 1998 Pool Participation Fund, L.P.	Secondary	Special situations	North America	1998	19'806'130	24'067'322
China Forestry Holdings Co. Ltd.	Direct	Venture capital	Asia-Pacific	2009	166'619	166'619
ChrysCapital V, LLC	Primary	Venture capital	Asia-Pacific	2007	552'458	234'566

					Since inception	
Investment	**Type of investment**	**Financing stage**	**Regional focus**	**Vintage year**	**Total commitments**	**Contributions**
Clayton, Dubilier & Rice Fund VII L.P.	Primary	Buyout	North America	2005	7'456'022	7'659'202
Clayton, Dubilier & Rice Fund VIII, L.P.	Primary	Buyout	North America	2008	1'502'168	1'485'641
Clessidra Capital Partners II	Primary	Buyout	Europe	2008	817'753	152'315
Coller International Partners III NW1, L.P.	Secondary	Special situations	Europe	1994	19'758'479	17'207'405
Coller International Partners III NW2, L.P.	Secondary	Special situations	Europe	1996	24'263'887	23'080'662
Coller International Partners III, L.P.	Primary	Special situations	Europe	1999	12'587'942	12'531'927
Columbia Capital Equity Partners III (Cayman)	Primary	Venture capital	North America	2000	9'508'490	9'926'136
Crimson Velocity Fund, L.P.	Primary	Venture capital	Asia-Pacific	2000	4'561'666	5'779'070
CVC Capital Partners Asia Pacific III, L.P.	Primary	Buyout	Asia-Pacific	2007	1'216'750	290'272
Cybernaut Growth Fund, L.P.	Secondary	Venture capital	Asia-Pacific	2005	443'269	309'298
DFJ Esprit Capital III, L.P.	Primary	Venture capital	Europe	2007	414'326	7'186
Diagnostic imaging company	Direct	Buyout	Asia-Pacific	2007	50'543	49'893
Direct marketing and sales company	Direct	Buyout	Rest of World	2007	157'359	142'820
Distressed debt purchase	Direct	Special situations	Europe	2008	43'073	43'073
DLJ SAP International, LLC	Primary	Buyout	Rest of World	2007	294'765	186'922
Dolphin Communications Fund, L.P.	Primary	Venture capital	North America	1998	10'376'446	10'811'375
Doughty Hanson & Co V	Primary	Buyout	Europe	2006	20'000'000	10'417'228
Doughty Hanson & Co. European Real Estate Fund	Primary	Real estate	Europe	1999	5'453'743	6'475'116
Doughty Hanson & Co. Fund III, L.P.	Secondary	Buyout	Europe	1997	6'636'834	6'511'765
Draper Fisher Jurvetson Fund VII, L.P.	Primary	Venture capital	North America	2000	4'421'885	4'404'440
ECI 9, L.P.	Primary	Buyout	Europe	2009	921'001	27'210
Education publisher	Direct	Buyout	North America	2007	5'924'282	5'924'282
EnerTech Capital Partners II, L.P.	Primary	Venture capital	North America	2000	4'661'991	4'701'269
Enterprise Venture Fund I, L.P.	Primary	Venture capital	Rest of World	2008	995'976	179'893
EQT Infrastructure (No.1) Limited Partnership	Primary	Special situations	Europe	2008	1'428'571	276'621
Esprit Capital I Fund, L.P.	Secondary	Venture capital	Europe	2000	1'446'172	1'421'406
Essmann	Direct	Special situations	Europe	2007	2'705'065	2'705'065
European E-Commerce Fund	Primary	Venture capital	Europe	1999	5'216'489	5'222'486
European Equity Partners (III), L.P.	Primary	Venture capital	Europe	1999	3'000'000	3'060'600
European Equity Partners (IV), L.P.	Primary	Venture capital	Europe	2004	600'000	604'500
Exxel Capital Partners VI, L.P.	Primary	Buyout	Rest of World	2000	4'584'641	5'108'854
Fenway Partners Capital Fund II, L.P.	Primary	Buyout	North America	1998	29'169'438	31'391'223
First Reserve Fund XI, L.P.	Primary	Special situations	North America	2006	480'347	397'532
Food and beverage services operator	Direct	Buyout	Europe	2006	129'975	129'975
Food company 1	Direct	Buyout	North America	2007	1'859'151	1'859'151
Fourth Cinven Fund, L.P.	Primary	Buyout	Europe	2006	7'500'000	4'611'363
Genesis Partners II LDC	Primary	Venture capital	Rest of World	1999	9'558'033	9'098'519
GMT Communications Partners II, L.P.	Primary	Venture capital	Europe	2000	14'000'000	15'313'252
GMT Communications Partners III, L.P.	Primary	Buyout	Europe	2006	10'000'000	6'452'675

					Since inception	
Investment	**Type of investment**	**Financing stage**	**Regional focus**	**Vintage year**	**Total commitments**	**Contributions**
GP Capital Partners IV, L.P.	Primary	Buyout	Rest of World	2007	1'482'035	1'396'238
GP Capital Partners V, L.P.	Primary	Buyout	Rest of World	2008	1'493'999	444'045
Graphite Capital Partners V, L.P.	Primary	Buyout	Europe	1999	15'288'801	14'495'662
Green Equity Investors Side V, L.P.	Primary	Buyout	North America	2007	8'843'483	2'730'381
H.I.G Bayside Debt & LBO Fund II, L.P.	Primary	Special situations	North America	2008	626'368	190'750
Health product retailer	Direct	Buyout	North America	2007	5'273'435	5'273'435
Healthcare operator2	Direct	Buyout	Europe	2007	2'063'868	2'063'868
Healthcare operator4	Direct	Buyout	Europe	2007	3'463'840	3'463'840
Heritage Fund III, L.P.	Primary	Buyout	North America	1999	8'941'663	7'757'398
HitecVision V, L.P.	Primary	Buyout	Europe	2008	941'902	253'952
Hony Capital Fund 2008, L.P.	Primary	Buyout	Asia-Pacific	2008	777'864	75'799
ICG European Fund 2006, L.P.	Primary	Special situations	Europe	2006	15'000'000	8'168'931
ICG Mezzanine Fund 2000 L.P. No. 2	Primary	Special situations	Europe	2000	10'000'000	9'737'328
IDFC Private Equity (Mauritius) Fund III	Primary	Special situations	Asia-Pacific	2008	338'539	125'186
IDG-Accel China Capital Fund	Primary	Venture capital	Asia-Pacific	2008	335'587	61'196
Index Ventures Growth I (Jersey), L.P.	Primary	Venture capital	Europe	2008	1'991'952	730'243
Index Ventures I (Jersey), L.P.	Primary	Venture capital	Europe	1998	10'250'541	10'372'658
Indian communications company	Direct	Buyout	Asia-Pacific	2008	63'472	63'472
Indium III (Mauritius) Holdings Limited	Primary	Buyout	Asia-Pacific	2007	283'107	162'013
Indium IV (Mauritius) Holdings Limited	Primary	Buyout	Asia-Pacific	2009	654'373	0
Industri Kapital 2000, L.P.	Primary	Buyout	Europe	1999	10'000'000	10'850'196
Industri Kapital 2007 Fund, L.P.	Primary	Buyout	Europe	2007	15'000'000	4'656'994
Infinity Capital Venture Fund 1999, L.P.	Primary	Venture capital	North America	1999	10'092'209	10'092'209
Information service company	Direct	Buyout	North America	2007	3'512'469	3'512'938
Innisfree PFI Secondary Fund	Primary	Special situations	Europe	2007	1'625'114	323'029
Intermediate Capital Asia Pacific Fund 2008	Primary	Special situations	Asia-Pacific	2008	503'134	148'577
INVESCO U.S. Buyout Partnership Fund II, L.P.	Primary	Buyout	North America	2000	28'333'582	26'608'454
INVESCO Venture Partnership Fund II, L.P.	Primary	Venture capital	North America	1999	58'569'123	54'930'788
INVESCO Venture Partnership Fund II-A, L.P.	Primary	Venture capital	North America	2000	33'392'617	32'115'665
Japanese financial institution	Direct	Buyout	Asia-Pacific	2008	112'944	108'423
Jerusalem Venture Partners III, L.P.	Primary	Venture capital	Rest of World	1999	5'437'699	5'438'454
Kelso Place Special Situations Fund L.P.	Primary	Special situations	Europe	2009	503'588	13'935
Kofola S.A.	Direct	Buyout	Rest of World	2008	161'156	161'156
Kohlberg Investors IV, L.P.	Primary	Buyout	North America	2000	9'340'767	8'619'634
Kohlberg TE Investors VI, L.P.	Primary	Buyout	North America	2007	8'714'490	4'466'518
Levine Leichtman Capital Partners II, L.P.	Primary	Special situations	North America	1998	30'660'291	35'633'016
Lightspeed Venture Partners VI, L.P.	Primary	Venture capital	North America	2000	7'159'457	6'530'589
Luxury good company	Direct	Special situations	Europe	2007	3'600'000	3'600'000
Magenta, L.P.	Primary	Buyout	Europe	2006	1'500'000	2'177'796

					Since inception	
Investment	**Type of investment**	**Financing stage**	**Regional focus**	**Vintage year**	**Total commitments**	**Contributions**
Marlin Equity III, L.P.	Primary	Special situations	North America	2010	701'771	0
MatlinPatterson Global Opportunities Partners III	Primary	Special situations	North America	2007	6'980'576	4'741'460
Media and communications company	Direct	Buyout	North America	2008	1'602'575	1'602'575
Media company	Direct	Buyout	Asia-Pacific	2007	183'246	183'246
Menlo Ventures IX, L.P.	Primary	Venture capital	North America	2000	8'655'044	8'655'044
Mercapital Spanish Private Equity Fund II, L.P.	Primary	Buyout	Europe	2000	7'000'000	7'048'724
Mezzanine Management Fund III, L.P.	Primary	Special situations	Europe	1999	14'377'533	14'084'689
Minimax - Viking Equity	Direct	Special situations	Europe	2009	218'067	218'067
Morgan Stanley Dean Witter Venture Partners IV LP	Primary	Venture capital	North America	1999	4'916'690	5'529'166
Morgenthaler Partners VII, L.P.	Primary	Venture capital	North America	2001	2'694'178	2'582'719
Myriad Group AG	Direct	Venture capital	Europe	2007	180'902	180'902
Navis Asia Fund V, L.P.	Primary	Buyout	Asia-Pacific	2007	1'127'728	841'145
Navis Asia Fund VI, L.P.	Primary	Buyout	Asia-Pacific	2009	163'379	16'145
Newbridge Asia III, L.P.	Primary	Buyout	Asia-Pacific	2000	4'178'579	4'319'672
NewMargin Growth Fund, L.P.	Primary	Venture capital	Asia-Pacific	2007	219'643	107'875
Nmás1 Private Equity Fund II, L.P.	Primary	Buyout	Europe	2008	1'362'921	380'632
Non-performing loan portfolio II	Direct	Special situations	Europe	2009	120'276	116'165
Nordic Capital IV, L.P.	Primary	Buyout	Europe	2000	14'443'383	13'645'306
Nordic Capital VI, L.P.	Primary	Buyout	Europe	2005	7'500'000	7'452'033
OCM Mezzanine Fund II, L.P.	Primary	Special situations	North America	2005	11'398'874	11'776'711
OCM Opportunities Fund III, L.P.	Primary	Special situations	North America	1999	4'371'426	4'404'203
OCM/GFI Power Opportunities Fund, L.P.	Primary	Special situations	North America	1999	3'651'332	3'224'417
Opportunistic Direct Investments	Direct	Buyout	North America	2007	179'798	132'233
Pacific Equity Partners Fund IV, L.P.	Primary	Buyout	Asia-Pacific	2007	715'642	142'493
Palamon European Equity 'C', L.P.	Primary	Buyout	Europe	1999	10'000'000	12'044'631
Partners Group Direct Investments 2006, L.P.	Primary	Buyout	Europe	2006	50'000'000	40'562'956
Partners Group Global Real Estate 2008 LP	Primary	Real estate	Europe	2008	20'000'000	5'094'081
Partners Group SPP1 Limited	Secondary	Special situations	North America	1996	41'876'643	40'112'114
Partners Private Equity, L.P.	Primary	Buyout	Europe	1998	6'865'349	7'068'924
Pegasus Partners II, L.P.	Primary	Special situations	North America	1999	3'900'297	4'280'566
Peninsula Fund IV, L.P.	Primary	Special situations	North America	2005	7'381'680	5'926'792
Penta CLO I S.A..	Primary	Special situations	Europe	2007	2'850'000	2'850'000
Permira Europe II, L.P.	Primary	Buyout	Europe	2000	20'000'000	20'002'356
Perusa Partners 1, L.P.	Primary	Special situations	Europe	2008	1'981'903	717'905
Pitango Venture Capital Fund III	Primary	Venture capital	Rest of World	2000	11'559'197	11'559'197
Plantasjen ASA	Direct	Special situations	Europe	2007	3'363'816	3'363'816
Polish Enterprise Fund IV, L.P.	Primary	Buyout	Rest of World	2000	4'784'667	4'857'565
Prism Venture Partners IV, L.P.	Primary	Venture capital	North America	2001	1'727'940	1'628'599
Project GIH/Baring Asia	Primary	Buyout	Rest of World	2005	647'762	609'410

					Since inception	
Investment	**Type of investment**	**Financing stage**	**Regional focus**	**Vintage year**	**Total commitments**	**Contributions**
Project Razor	Secondary	Buyout	Asia-Pacific	1999	92'741	89'546
Providence Equity Partners IV, L.P.	Primary	Buyout	North America	2000	9'413'944	11'839'798
Providence Equity Partners VI-A, L.P.	Primary	Buyout	North America	2007	17'729'616	10'055'787
Quadriga Capital Private Equity Fund II, L.P.	Primary	Buyout	Europe	1999	8'173'976	9'513'135
Quadriga Capital Private Equity Fund III, L.P.	Primary	Buyout	Europe	2006	10'000'000	6'546'878
Russia Partners III, L.P.	Primary	Buyout	Rest of World	2007	1'462'123	493'868
Rutland Fund, The	Primary	Special situations	Europe	2000	9'614'430	8'747'352
SBCVC Fund II-Annex, L.P.	Primary	Venture capital	Asia-Pacific	2007	113'753	59'879
SBCVC Fund III, L.P.	Primary	Venture capital	Asia-Pacific	2008	335'594	69'745
Second Cinven Fund (No.2), L.P.	Secondary	Buyout	Europe	1998	8'310'422	8'168'492
Segulah II, L.P.	Primary	Buyout	Europe	1999	9'260'222	8'531'174
Sevin Rosen Fund VIII, L.P.	Primary	Venture capital	North America	2000	3'146'179	3'110'278
Sierra Ventures VIII-A, L.P.	Primary	Venture capital	North America	2000	8'881'970	8'881'970
Silver Lake Partners III, L.P.	Primary	Buyout	North America	2007	10'391'221	3'676'840
Silver Lake Partners, L.P.	Primary	Buyout	North America	1999	29'292'095	28'089'046
Sofinnova Capital VI FCPR	Primary	Venture capital	Europe	2008	995'976	248'994
Software Developer	Direct	Venture capital	Rest of World	2009	164'178	164'178
Southern Cross Latin America PE Fund III	Primary	Buyout	Rest of World	2007	1'494'749	1'126'741
Standard Chartered IL&FS Asia Infra Growth Fund	Primary	Special situations	Asia-Pacific	2008	1'354'874	642'250
Sterling Investment Partners II, L.P.	Primary	Buyout	North America	2005	7'203'871	3'878'622
Summit Partners Europe Private Equity Fund, L.P.	Primary	Venture capital	Europe	2008	1'991'952	0
Summit Ventures VI-B, L.P.	Primary	Venture capital	North America	2000	4'215'279	4'215'279
Sun Capital Partners IV, L.P.	Primary	Special situations	North America	2005	12'476	0
SV Life Sciences Fund II, L.P.	Primary	Venture capital	Europe	1998	21'201'715	21'724'278
SV Life Sciences Fund IV, L.P.	Primary	Venture capital	North America	2006	3'537'498	2'246'608
T3 Partners, L.P.	Primary	Buyout	North America	2000	6'810'254	5'682'385
TA IX, L.P.	Primary	Venture capital	North America	2000	8'964'146	8'754'810
Taiwan Special Opportunities Fund III	Secondary	Venture capital	Asia-Pacific	1999	1'530	1'530
TCW/Crescent Mezzanine Partners III, L.P.	Primary	Special situations	North America	2001	9'335'243	9'157'520
Terra Firma Capital Partners III, L.P.	Primary	Buyout	Europe	2006	20'000'000	11'878'729
TH Lee Putnam Parallel Ventures, L.P.	Primary	Venture capital	North America	1999	9'480'055	9'713'918
Thomas H. Lee Parallel Fund V, L.P.	Primary	Buyout	North America	2000	8'589'483	8'929'028
Thomas H. Lee Parallel Fund VI, L.P.	Primary	Buyout	North America	2006	17'753'739	9'909'033
Thomas Weisel Capital Partners, L.P. (Tailwind)	Primary	Venture capital	North America	1999	10'168'769	10'208'067
TPG Asia V, L.P.	Primary	Buyout	Asia-Pacific	2007	1'102'522	306'091
TPG Partners III, L.P.	Primary	Buyout	North America	2000	3'768'761	3'553'527
TPG VI, L.P.	Primary	Buyout	North America	2008	9'362'275	1'357'735
Unison Capital Partners III, (B) L.P.	Primary	Buyout	Asia-Pacific	2008	387'528	12'794
Universal Hospital Services, Inc.	Direct	Buyout	North America	2007	2'954'646	2'954'646

Investment	Type of investment	Financing stage	Regional focus	Vintage year	Since inception Total commitments	Contributions
US entertainment company	Direct	Buyout	North America	2008	3'428'650	3'428'650
Value Enhancement Partners Special Sit. Fund I	Primary	Special situations	Europe	2008	894'416	128'647
Ventizz Capital Fund IV, L.P.	Primary	Venture capital	Europe	2007	1'991'952	581'866
Vestar Capital Partners IV, L.P.	Primary	Buyout	North America	1999	4'522'952	4'393'715
Vortex Corporate Development Fund, L.P.	Primary	Venture capital	North America	2000	2'939'333	2'838'852
Warburg Pincus International Partners, L.P.	Primary	Buyout	Europe	2000	4'679'194	4'679'673
Warburg Pincus Private Equity X, L.P.	Primary	Buyout	North America	2007	13'951'814	5'927'251
Wellington Partners II, L.P.	Primary	Venture capital	Europe	2000	4'000'000	4'007'000
William Blair Capital Partners VI, L.P.	Secondary	Buyout	North America	1998	2'028'631	2'024'819
Worldview Technology Partners III, L.P.	Primary	Venture capital	Rest of World	1999	5'356'437	5'356'437
Worldview Technology Partners IV, L.P.	Primary	Venture capital	Rest of World	2000	2'750'223	2'613'125

Some names may not be disclosed for confidentiality reasons. Furthermore, some investments have been made through Partners Group pooling vehicles at no additional fees. Please note that contributions may exceed total commitments due to foreign currency movements.

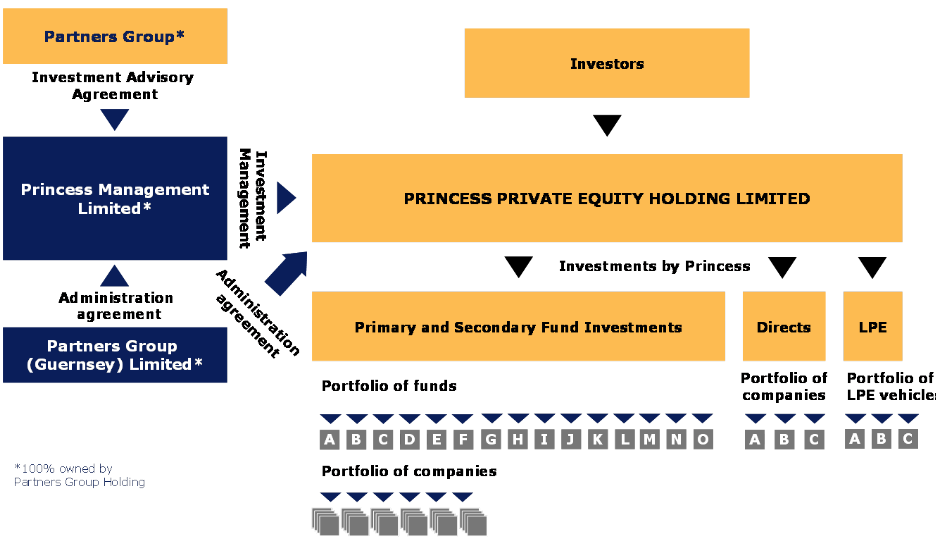
8 STRUCTURAL OVERVIEW

Princess Private Equity Holding Limited is a Guernsey-registered private equity holding company founded in May 1999 that invests in private market investments. In 1999 Princess raised USD 700 million through the issue of a convertible bond and invested the capital by way of commitments to private equity partnerships. The convertible bond was converted into shares in December 2006. Concurrently, the investment guidelines were amended and the reporting currency changed from the US dollar to euro. The Princess shares were introduced for trading on the Frankfurt Stock Exchange (trading symbol: PEY1) on 13 December 2006 and on the London Stock Exchange (trading symbol: PEY) on 1 November 2007.

Princess aims to provide shareholders with long-term capital growth and an attractive dividend yield in the mid to long-term. Besides primary fund investments, Princess also considers secondary fund investments, direct investments and listed private equity.

The investments of Princess are managed on a discretionary basis by Princess Management Limited, the Investment Manager of Princess, a wholly-owned subsidiary of Partners Group Holding, registered in Guernsey. The Investment Manager is responsible for, inter alia, selecting, acquiring and disposing of investments and carrying out financing and cash management services.

The Investment Manager is permitted to delegate some or all of its obligations and has entered into an advisory agreement with Partners Group AG. Partners Group is a global private markets asset management firm with over CHF 25 billion in investment programs under management in private equity, private debt, private real estate and private infrastructure. Through the advisory agreement, Princess will benefit from the global presence, the size and experience of the investment team, relationships with many of the world’s leading private equity firms and the experience in primary, secondary and direct investments.



9 FACTS AND FIGURES

This glossary explains certain terms used in this report for the convenience of the reader.

Company	Princess Private Equity Holding Limited
Currency denomination	Euro
Designated sponsors	Frankfurt Stock Exchange: Conrad Hinrich Donner Bank AG London Stock Exchange: JPMorgan Cazenove
Dividends	Princess intends to distribute an annual dividend of between 5% and 8% of the net asset value
Incentive fee	No incentive fee on primary investments 10% incentive fee per secondary investment 15% incentive fee per direct investment subject in each case to a 8% p.a. preferred return (with catch-up)
Incorporation	1999
Listing	Frankfurt Stock Exchange London Stock Exchange
Management fee	0.375% per quarter of the higher of (i) NAV or (ii) value of Princess' assets less any temporary investments plus unfunded commitments, plus 0.0625% per quarter in respect of secondary investments and 0.125% per quarter in respect of direct investments
Securities	Fully paid-in ordinary registered shares
Structure	Guernsey Company
Trading information (Frankfurt Stock Exchange)	WKN: A0LBRM ISIN: DE000A0LBRM2 Trading symbol: PEY1 Bloomberg: PEY1 GY Reuters: PEYGz.DE / PEYGz.F

Trading information (London Stock Exchange)	WKN: A0LBRL ISIN: GG00B28C2R28 Trading symbol: PEY Bloomberg: PEY LN Reuters: PEY.L
Voting rights	Each ordinary registered share represents one voting right

10 BOARD OF DIRECTORS

Brian Human (Chairman) (British, age 61) has been a Director of the Company since November 2003 and an independent Director since December 2007. He gained a Bachelor of Arts (Econ) degree from Rhodes University, South Africa and the IAC qualification from the UK's Securities and Investment Institute. Brian has been in the finance industry since graduating in 1971. He emigrated to England in 1973, joining first Midland Bank and then Grindlays Bank, which was acquired by the ANZ Bank in 1992 and then by Standard Chartered Bank in 2000. He has worked in Thailand, Hong Kong and Australia as well as England, Jersey and Guernsey. Prior to joining Princess in November 2003 he was head of risk management for Standard Chartered Bank (Jersey) Limited, and his previous posts include managing director of ANZ Grindlays Bank (Jersey) Limited, managing director of ANZ Bank Guernsey Limited, Senior Manager Credit ANZ Bank London, Senior Manager Business Banking ANZ Melbourne and general manager of Thailand-based General Finance and Securities Limited.

Richard Battey (Chairman of the audit committee) (British, age 57) is a Non-Executive Director of AcenciA Debt Strategies Limited, Better Capital Limited, Falcon Property Investment SPC, Henderson Global Properties Limited, Juridica Investments Limited, Northwood Capital European Fund Limited and Prospect Japan Fund Limited. Previously, he has served as director for China Growth Opportunities Limited and Origo Resource Partners Limited. For AcenciA Debt Strategies Limited, Better Capital Limited, Henderson Global Property Companies, Juridica Investments Limited and Prospect Japan Fund Limited he is Chairman of the Audit Committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales having qualified with Baker Sutton & Co. in London in 1977. Richard was formerly Chief Financial Officer of CanArgo Energy Corporation. Prior to that role he spent 27 years with the Schroder Group. Richard was a director of Schroders (C.I.) Limited in Guernsey from April 1994 to December 2004 where he served as Finance Director and Chief Operating Officer. He was a director of a number of the Schroder Group's Guernsey companies covering banking, investment management, trusts, insurance and private equity administration retiring from his last Schroder directorship in December 2008.

Andreas Billmaier (German, age 45) 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. Before his studies, he worked as client adviser with Deutsche Bank. Andreas is an advisory board member in several private equity and real estate fund and fund-of-funds. Andreas holds a master's degree in business administration (University of Nuernberg).

Fergus Dunlop (British, age 51) is a Non-Executive Director of Resolution Limited and Schroder Oriental Income Fund Limited, both LSE listed. He is also on the general partner Boards of three IK Investment Partners private equity funds, two of which are long standing holdings of the Company representing less than 3% of the portfolio. Between 2002 and 2007 Mr. Dunlop was Managing Director and Partner in Südprojekt Gesellschaft für Finanzanalysen (Munich), providing fund of funds and hedge fund advice, performance measurement and research. From 1997 to 2001 he worked in institutional sales with Mercury Asset Management KAG (Frankfurt) (later Merrill Lynch Investment Managers KAG). From 1987 to 1997 he worked for SG Warburg/Mercury Asset Management plc (London), where he managed a joint venture with Munich Re and headed the London branch of Mercury's German regulated business. Fergus holds a masters degree in management from Oxford University.

Urs Wietlisbach (Swiss, age 48) 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).

11 DIRECTORS' REPORT

Directors
B. Human (Chairman)
R. Battey (appointed 28 May 2009)
A. Billmaier
F. Dunlop (appointed 28 May 2009)
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 2009 to 31 December 2009.

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" or "Designated 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 investments.

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 audited consolidated statement of comprehensive income and statement of financial position.

Monitoring Performance

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

- Price and NAV developments
- Net cash flow
- Capital 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 investing together with leading private equity fund managers. An explanation of the risks and how they are managed is contained in the notes to the consolidated audited financial statements.

Share Capital

The Company's issued and paid up share capital as at 31 December 2009 was 70'100'000 ordinary shares of EUR 0.001 each (31 December 2008: 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

No dividend was declared by the Directors in 2009 (2008: interim dividend of EUR 0.30 per share was paid on 20 June 2008).

Results

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

Directors

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

Mr. Billmaier retired by rotation and was re-elected at the 2009 annual general meeting. Mr. Wietlisbach's re-appointment was passed at the 2009 annual general meeting. Messrs Billmaier, Wietlisbach and Human will stand for reelection by the shareholders at the forthcoming annual general meeting.

Mr. Maltby and Mr. Hooley were appointed by the board on 1 October 2007 and confirmation of their appointment was passed at the 2008 annual general meeting. They both resigned on 6 May 2009. The Board would like to thank both Messrs Maltby and Hooley for their contributions.

Mr. Battey and Mr. Dunlop were appointed by the board on 28 May 2009 and will stand for election by the shareholders at the forthcoming annual general meeting.

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 Holding 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 in the notes to these accounts and as shown below.

Split as follows in EUR
(31.12.2009 / 31.12.2008)
R. Battey (24'000 / -)
A. Billmaier (40'000 / 40'000)
F. Dunlop (24'000 / -)
J. Hooley (14'000 / 40'000)
B. Human (42'000 / 30'000)
C. Maltby (20'000 / 50'000)

Length of service

Each of the Directors was appointed to the Board on the dates shown below:
R. Battey: 28 May 2009
A. Billmaier: 5 December 2006
F. Dunlop: 28 May 2009
B. Human: 19 November 2003
U. Wietlisbach: 24 June 1999

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and officers' liability in relation to their acts on behalf of the Company. Suitable insurance is in place and due for renewal on 8 December 2010.

Investment Management Arrangements

Princess Management Limited, a wholly owned subsidiary of Partners Group Holding AG, is the Investment Manager to the Company. The Investment Manager is permitted to delegate some or all of its obligations and has entered into an Investment Advisory Agreement 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 within the consolidated audited financial statement. The Agreement may be terminated after ten years with three years 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 as a whole, given the global reach, access to leading private equity houses and expertise of the Investment Manager and through the Investment Manager to the Investment Advisor.

Significant Events

At the Annual General Meeting held on 7 May 2009 the financial statements of the Company for the year ended 31 December 2008 together with the report of the directors and auditors were received and adopted. The current Articles of the Company were also adopted at the meeting.

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. Those shareholders who hold above 3% of ordinary shares, as at the year end were

- CVP / CAP Coop Personalversicherung 5.07%
- Deutsche Asset Management Investmentgesellschaft 8.70%
- Vega Invest Fund Plc 8.56%

Shareholder Communication

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

Directors’ Responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Company and 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.

So far as the Board of Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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 statement 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 risk 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, 2008 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.

Going Concern

After making enquiries and given the nature of the Company and Group and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements, and, after due consideration, the Directors consider that the Company and Group are able to continue in the foreseeable future.

Company Secretary

The secretary of the Company as at 31 December 2009 was Dexion Capital (Guernsey) Limited.

Auditors

At a general meeting held on 7 May 2009, PricewaterhouseCoopers CI LLP were appointed Auditors of the Company for the year ending 31 December 2009, together with the fixing of their remuneration by the Directors.

R. Battey
Director

F. Dunlop
Director

Date: 26 February 2010

12 CORPORATE GOVERNANCE

The Directors have determined to report against the Association of Investment Companies (the "AIC") Code of Corporate Governance ("AIC Code") and to follow AIC's Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code and AIC Guide are available on the AIC website www.theaic.co.uk. In assessing the Board's corporate governance practice for 2009, the Directors confirm that throughout the year the Company complied with the provisions of the AIC Guide.

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

The Combined Code includes provisions relating to

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

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

There are no specific corporate governance principles the Company is obliged to comply with in Germany. The Guernsey Financial Services Commission has a standing Code of Corporate Governance for the Finance Sector. However as a company listed on the London Stock Exchange it is subject to the Disclosure Rules and Transparency Rules and the AIC Guide as noted above.

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. Human, who was appointed on 28 May 2009 replacing Mr. Maltby who resigned from the Board on 6 May 2009. Mr. Human has no other significant business commitments which need to be disclosed and the Board is satisfied that he has sufficient time available to discharge fully his responsibilities as Chairman of the Company. For the purposes of assessing compliance with the AIC Code, the Board considers all of the Directors (other than Mr. Wietlisbach 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 judgment.

Mr. Human was appointed Managing Director pursuant to a service contract dated 20 March 2007 until March 2008, during which time he was a part time employee. 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. Further, that the Board considered Mr. Human independent at the time of his appointment as Chairman.

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 and, as mentioned within this report, the non-independent directors are considered to be Mr. Wietlisbach and Mr. Billmaier.

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. Mr. Human is due to stand for re-election, because he has been on the Board for a fixed term of 3 years.

Directors' Duties and Responsibilities

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

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

The Board receives full details of the Company's assets, liabilities and other relevant information in advance of Board meetings. The Board meets formally at least four times a year; however, the Investment Manager and Company Secretary stay in more regular contact with the Directors on a less formal basis. Individual Directors have direct access to the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

The Directors have adopted a schedule of matters reserved for the Board as part of the London Stock Exchange listing process. This includes 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 2009, compared against those for which they were eligible:

R. Battey (2/2)
A. Billmaier (4/4)
F. Dunlop (2/2)
J. Hooley (1/1)
B. Human (4/4)
C. Maltby (1/1)
U Wietlisbach (2/4)

During the year a further six ad hoc meetings were held to deal with matters substantially of an administrative nature and these were attended by those directors available at the time.

Committees of the Board

The Board has established an Audit & Management Engagement Committee. The Audit & 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 & 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, together with the recommendation to re-appoint the auditors. A note of any non-audit service provision and remuneration should be referenced within the notes to the accounts. With the exception of Mr. Wietlisbach, the Audit & Management Engagement Committee is composed of all the members of the Board, and was chaired by Mr. Hooley up to 6 May 2009 and thereafter by Mr. Battey following his appointment on 28 May 2009. Although Mr. Human is Independent Chairman of the Company, he is also a member of the Audit & Management Engagement Committee. The Board considers that all three independent Directors should sit on this Committee, to bring the widest range of experience to its deliberations.

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

Directors' Interests

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

- Mr. Wietlisbach 194'000 shares deliverable in the form of co-ownership interest
- Mr. Wietlisbach has made an investment of EUR 3'350'000 into Green Stone IC Limited

13 INDEPENDENT AUDITORS' REPORT

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 ("the Group") which comprise the consolidated statement of financial position as of 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 the 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 2009, and of the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Emphasis of matter

Without qualifying our opinion, we draw attention to Notes 10 and 19 to the consolidated financial statements. As indicated in Notes 10 and 19 the consolidated financial statements include unquoted investments (funds) stated at their fair value of EUR (000') 516'928. 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 Key Figures, the Chairman's Report, the Private Equity Market Environment, the Investments Manager's Report, the Portfolio Allocation, the Portfolio Transactions, the Portfolio Overview, the Structural Overview, the Facts and Figures, the Board of Directors, the Directors' Report and Corporate Governance.

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 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
2010

14 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Audited consolidated statement of comprehensive income

for the period from 01 January 2009 to 31 December 2009

In thousands of EUR	**Notes**	**01.01.2009 31.12.2009**	**01.01.2008 31.12.2008**
Net income from designated financial assets at fair value through profit or loss		**(37'912)**	**(64'592)**
Private Equity		*(31'498)*	*(63'270)*
Interest & dividend income		1	7
Revaluation	10	(25'858)	(77'355)
Net foreign exchange gains / (losses)	10	(5'641)	14'078
Private Debt		*(7'314)*	*(843)*
Interest income (including PIK)		1'207	2'208
Revaluation	10	(8'849)	(3'686)
Net foreign exchange gains / (losses)	10	328	635
Private Real Estate		*482*	*111*
Revaluation	10	476	16
Net foreign exchange gains / (losses)	10	6	95
Private Infrastructure		*418*	*(590)*
Revaluation	10	418	(590)
Net income from financial assets at fair value through profit or loss held for trading		**493**	**(14'655)**
Net income from opportunistic investments		*493*	*(14'655)*
Revaluation	11 & 22	493	(14'655)
Net income from cash & cash equivalents and other income		**565**	**1'940**
Interest income	20	30	2'108
Net foreign exchange gains / (losses)	21	535	(168)
Total net income		**(36'854)**	**(77'307)**
Operating expenses		**(14'738)**	**(16'173)**
Management fee		(12'535)	(14'214)
Incentive fee		(1'304)	(280)
Administration fee		(232)	(362)
Other operating expenses		(997)	(882)
Other net foreign exchange gains / (losses)	21	330	(435)
Other financial activities		**(13'770)**	**17'962**
Setup expenses - credit facility		(830)	-
Interest expense - credit facility		(505)	(139)
Other interest expense		(6)	-
Other finance cost		(7)	(4)
Net result from hedging activities		(12'422)	18'105
Surplus / (loss) for the financial period		**(65'362)**	**(75'518)**
Other comprehensive income for the period; net of tax		-	-
Total comprehensive income for the period		**(65'362)**	**(75'518)**
Earnings per share			
Weighted average number of shares outstanding		70'100'000	70'100'000

Basic surplus / (loss) per share for the financial period	(0.93)	(1.08)
Diluted surplus / (loss) per share for the financial period	(0.93)	(1.08)

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

Audited consolidated statement of financial position

As at 31 December 2009

In thousands of EUR	**Notes**		**31.12.2009**		**31.12.2008**
ASSETS					
Designated assets at fair value through profit or loss					
Private equity	10	467'992		496'102	
Private debt	10	40'912		49'167	
Private real estate	10	6'095		5'113	
Private infrastructure	10	1'929		-	
Non-current assets			**516'928**		**550'382**
Financial assets at fair value through profit or loss held for trading	11	-		6'830	
Other short-term receivables		1'615		784	
Hedging assets		5'776		12'559	
Cash and cash equivalents	12	15'251		13'707	
Current assets			**22'642**		**33'880**
TOTAL ASSETS			**539'570**		**584'262**
LIABILITIES					
Share capital	13	70		70	
Reserves	13	668'882		668'882	
Retained earnings		(154'655)		(89'293)	
Total Equity			**514'297**		**579'659**
Short term credit facilities	16	20'000		-	
Other short-term payables		5'273		4'603	
Liabilities falling due within one year			**25'273**		**4'603**
TOTAL LIABILITIES			**539'570**		**584'262**

Audited consolidated statement of changes in equity
for the period from 01 January 2009 to 31 December 2009

In thousands of EUR	Share capital	Reserves	Retained Earnings	Total
Equity at beginning of reporting period	70	668'882	(89'293)	579'659
Other comprehensive income for the period; net of tax			-	-
Surplus / (loss) for the financial period			(65'362)	(65'362)
Equity at end of reporting period	**70**	**668'882**	**(154'655)**	**514'297**

for the period from 01 January 2008 to 31 December 2008

In thousands of EUR	Share capital	Reserves	Retained Earnings	Total
Equity at beginning of previous period	70	689'912	(13'775)	676'207
Dividend paid	-	(21'030)	-	(21'030)
Other comprehensive income for the period; net of tax			-	-
Surplus / (loss) for the financial period		-	(75'518)	(75'518)
Equity at end of previous period	**70**	**668'882**	**(89'293)**	**579'659**

Audited consolidated cash flow statement
for the period from 01 January 2009 to 31 December 2009

In thousands of EUR	Notes	01.01.2009 31.12.2009	01.01.2008 31.12.2008
Operating activities			
Surplus / (loss) for the financial period		(65'362)	(75'518)
Adjustments:			
Foreign exchange result	21	4'442	(14'205)
Investment revaluation	22	33'320	96'270
Net (gain) / loss on interests & dividends	20	(727)	(4'184)
(Increase) / decrease in receivables		5'822	(7'067)
Increase / (decrease) in payables		775	(2'567)
Purchase of private equity investments	10	(43'204)	(111'832)
Purchase of private debt investments	10	(1'340)	(6'735)
Purchase of private real estate investments	10	(500)	(4'650)
Purchase of private infrastructure investments	10	(1'511)	(590)
Distributions from and sales of private equity investments	10	39'815	68'733
Distributions from and sales of private debt investments	10	1'742	4'705
Distributions from and sales of private real estate investments	10	-	518
Sale of opportunistic investments	11	7'323	9'799
Interest & dividends received		571	2'108
Net cash from / (used in) operating activities		**(18'834)**	**(45'215)**
Financing activities			
Increase / (decrease) in credit facilities		20'354	-
Interest expense - credit facility		(505)	(139)
Interest expense on prepayments		(6)	-
Distribution of dividends		-	(21'030)
Net cash from / (used in) financing activities		**19'843**	**(21'169)**
Net increase / (decrease) in cash and cash equivalents		**1'009**	**(66'384)**
Cash and cash equivalents at beginning of reporting period	**12**	**13'707**	**80'259**
Movement in exchange rates		535	(168)
Cash and cash equivalents at end of reporting period	**12**	**15'251**	**13'707**

Notes to the audited consolidated financial statements
for the period from 01 January 2009 to 31 December 2009

1 Organization and business activity

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

Since 13 December 2006 the share 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 audited consolidated financial statements where authorized for issue by the Board of Directors on 26 February 2010.

2 Basis of preparation

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

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

3 Principal accounting policies

The accounting policies correspond to those of the audited consolidated financial statements for the year ended 31 December 2008, except for the changes discussed below. The following accounting policies have been applied consistently except where otherwise noted in dealing with items which are considered material in relation to the Group's audited consolidated financial statements.

From 1 January 2009 the following new and existing revised IFRS and interpretations to existing standards were required to be adopted. The Group has consequently adopted all relevant and below mentioned Standards since 1 January 2009.

IFRS 2 - Share based payments
IFRS 7 - Financial instruments
IFRS 8 - Operating segments

IAS 1 - Presentation of financial statements
IAS 16 - Property, plant and equipment
IAS 19 - Employee benefits
IAS 20 - Government grants and disclosure of government assistance
IAS 23 - Borrowing costs
IAS 27 - Consolidated and separate financial statements

IAS 28 - Investment in associates
IAS 31 - Interests in joint ventures
IAS 32 - Financial instruments: presentation
IAS 36 - Impairment of assets
IAS 38 - Intangible assets
IAS 39 - Recognition and measurement
IAS 40 - Investment property
IAS 41 - Agriculture

IFRIC 15 - Agreements for the construction of real estate
IFRIC 16 - Hedges of a net investment in a foreign operation

The amendment to IAS 1 - Presentation of financial statements prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement of which entities have the choice of a one or two statement approach. Comparative information is required to be amended to reflect the current choice of presentation. The Group has applied IAS 1 (revised) from 1 January 2009, and has elected to present a single statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Group's performance statement, as the Group has no other elements of other comprehensive income.

The amendment to IFRS 7 - Financial instruments requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of the fair value measurements by level in a fair value measurement hierarchy. The adoption of the amendments results in additional disclosures but otherwise has no impact on the Group's financial position or performance.

The adoption of IFRS 8 - Operating segments requires segments to be identified and presented following a 'management approach' under which segment information is presented on the same basis as that used for internal reporting and monitoring purposes. This results in additional disclosures and some presentational changes within these financial statements. Operating segments are now reported in a manner consistent with the internal reporting of the Investment Advisor, Partners Group AG, as agreed with the Board of Directors and has been identified as: private equity, private debt, private real estate, private infrastructure and private resources. Only those segments applicable within the reporting period have been reflected in these audited consolidated financial statements.

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

The amendment to IAS 32 - Financial instruments: presentation requires entities to classify puttable financial instruments or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the finanical instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. In the event that the Company issues different classes of shares, the features of which will not be identical, these will be disclosed within Capital in the notes to these audited consolidated financial statements. The adoption of these amendments has therefore not resulted in any change in the classification of the Company's shares.

The Board of Directors has assessed the impact of these amendments and concluded that these new accounting standards and interpretations will not affect the Group's results of operations or financial position other than as noted above.

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

IFRS 3 - Business combinations
IFRS 5 - Non-current assets held for sale and discontinued operations

IFRIC 17 - Distribution of non-cash assets to owners
IFRIC 18 - Transfers of assets from customers

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 audited consolidated statement of comprehensive income. Dividend income is recognized when the right to receive payment is established.

Expenditure

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

Foreign currency translation

(a) Functional and presentational 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 audited consolidated financial statements are presented in Euros, which is both companies' Functional and the Group's presentation currency.

(b) Transactions and balances

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

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

(a) Classification

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

Where the Group has hedged the value of non Functional Currency investments against the Functional Currency this does not qualify as 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 statement of financial position at fair value and are subsequently remeasured to fair value. As a result, the unrealized changes in fair value are recognized in the audited consolidated statement of comprehensive income under the heading "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 value of various derivative instruments used for hedging purposes are disclosed in the notes.

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. Financial assets at fair value through profit or loss held for trading consist of opportunistic investments. These are managed and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is used by the Investment Manager and the 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 Board of Directors have determined that investments will only be made in entities that adopt an internationally recognized standard of accounting.

(b) Recognition and derecognition

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

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.

(c) Measurement

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

Prior to 1 January 2009, interest distributions from fund investments held at fair value through profit or loss were recognized in the audited consolidated statement of comprehensive income within interest income using the effective interest method. Dividend distributions from fund investments held at fair value through profit or loss were recognized in the audited consolidated statement of comprehensive income within dividend income when the Group's right to receive payments was established. Transaction costs were expensed in the audited consolidated statement of comprehensive income.

Since that date, interest and dividend distributions from fund investments held at fair value through profit or loss are recognized in the audited consolidated statement of financial position when the Group's right to receive payments is established. Transaction costs are also recognized through the audited consolidated statement of financial position.

(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 end of the reporting period. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions existing at each end of the reporting period. Quoted market prices or dealer quotes for specific similar instruments are used for long-term debt where appropriate. 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the audited consolidated statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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, unless the maturities are more than 12 months after the end of the reporting period where they 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 liabilities falling due within one year unless the maturities are more than 12 months after the end of the reporting period where they are classified as liabilities falling due after one year. 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 are set out in a subsequent note.

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

4 Change in accounting policy

With effect from 1 January 2009, interest and dividend distributions received from financial assets at fair value through profit or loss, other than those derived from assets where the Group holds a direct interest, are recognized against the fair value of the applicable financial asset in the period in which they arise or the right to receive payments is established.

In previous accounting periods, 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 audited consolidated statement of comprehensive income in the period in which they arise.

Interest and dividend income derived from assets where the Group holds a direct interest continue to be recognized in the audited consolidated statement of comprehensive income within interest and dividend income, when the right to receive payments is established.

The change in accounting policy resulted in different disclosures of interest and dividend income from limited partnerships, but had no impact on the statement of changes in equity and the results of the Group.

5 Critical 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 applies widely recognized valuation methods to such data such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation as well as market prices to estimate a fair value as at the end of the reporting period. 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 to be fair based on the current market environment. The Investment Manager makes reasonable efforts to obtain the latest available information from the underlying unquoted investments.

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

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

- a limited partnership's most recent reporting information including a detailed analysis of underlying company performance and investment transactions with the limited partnership between the latest available limited partnership reporting and the end of the reporting period of the Group;

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

The variety of valuation bases adopted, quality of management information provided by the underlying limited 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 these 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 end of the reporting period, the Group estimates the cash flow requirements based on an assessment of all applicable indicators, which may include but are not limited to the following:

- Historical statistical data: external and internal data serve as the statistical basis of the quantitative model;
- Current portfolio company information: the model is updated to take into account current data from the Group's direct and partnership investments;
- Input from the Investment Advisor's investment professionals: Quantitative and qualitative 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, on instruction from the Board of Directors, continuously compares these assumptions against actual developments and adjusts and reports the cash flow model accordingly.

During September 2009 the Company entered into a 3–year credit facility, with a large international bank and other lenders. This credit facility for the Company forms part of a EUR 170m syndicated term loan and revolving facilities (the "Syndicated Facilities") available to the Company and a number of other Partners Group advised entities (each a "Borrower"), as advised in the note on short term credit facilities. Each Borrower is independently responsible for its borrowings and the default of one Borrower does not trigger the default of any other Borrower under the Syndicated Facilities. However, it should be noted that while the Syndicated Facilities may be allocated among the Borrowers as per individual demand and as determined by Partners Group AG, in its role as allocation agent subject to certain minimum and maximum limits, the demand of any Borrower may have an impact on those funds available to the other Borrowers, potentially, in extremis, resulting in insufficient funds being available to the Company to fulfil its investment strategy in the manner it desires.

6 Earnings per share / Net asset value per share

Basic earnings per share is 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 is 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 statement if financial position by the number of potential shares outstanding at year end.

7 Expenses

Management fee

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

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

Administration fee

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between the Company and Partners Group (Guernsey) Limited (the "Administrator"). 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% rather than 15%. The incentive fee in respect of each direct investment is calculated as follows on a deal-by-deal basis:

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

- its acquisition cost in respect of the relevant direct investments; 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 the Group 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 the Group 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 the Group is due and payable to the Investment Manager.

8 Taxation status

Each company within the Group is resident in Guernsey for tax purposes and is taxed at the company standard rate of 0%.

9 Segment calculation

In thousands of EUR	Private Equity		Private Debt		Private Real Estate		Private Infrastructure		Non attributable		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Interest & dividend income	1	7	1'207	2'208	-	-	-	-	30	2'108	1'238	4'323
Revaluation	(25'858)	(77'355)	(8'849)	(3'686)	476	16	418	(590)	493	(14'655)	(33'320)	(96'270)
Net foreign exchange gains / (losses)	(5'641)	14'078	328	635	6	95	-	-	535	(168)	(4'772)	14'640
Total Net Income	**(31'498)**	**(63'270)**	**(7'314)**	**(843)**	**482**	**111**	**418**	**(590)**	**1'058**	**(12'715)**	**(36'854)**	**(77'307)**
Segment Result	**(31'498)**	**(63'270)**	**(7'314)**	**(843)**	**482**	**111**	**418**	**(590)**	**(13'680)**	**(28'888)**	**(51'592)**	**(93'480)**
Other financial activities not allocated											(13'770)	17'962
Surplus / (loss) for the financial period											**(65'362)**	**(75'518)**

10 Designated assets at fair value through profit or loss

10.1 Private Equity

In thousands of EUR	**31.12.2009**	**31.12.2008**
Balance at beginning of period	496'102	516'273
Purchase of limited partnerships and directly held investments	43'204	111'832
Distributions and sale from limited partnerships and directly held investments; net	(39'815)	(68'733)
Revaluation	(25'858)	(77'355)
Foreign exchange gains / (losses)	(5'641)	14'078
Reclassification		7
Balance at end of period	**467'992**	**496'102**

10.2 Private Debt

In thousands of EUR	**31.12.2009**	**31.12.2008**
Balance at beginning of period	49'167	47'980
Purchase of limited partnerships and directly held investments	1'340	6'735
Distributions and sale from limited partnerships and directly held investments; net	(1'742)	(4'705)
Accrued cash and PIK interest	668	868
Revaluation	(8'849)	(3'686)
Foreign exchange gains / (losses)	328	635
Reclassification		1'340
Balance at end of period	**40'912**	**49'167**

10.3 Private Real Estate

In thousands of EUR	**31.12.2009**	**31.12.2008**
Balance at beginning of period	5'113	870
Purchase of limited partnerships and directly held investments	500	4'650
Distributions and sale from limited partnerships and directly held investments; net	-	(518)
Revaluation	476	16
Foreign exchange gains / (losses)	6	95
Balance at end of period	**6'095**	**5'113**

10.4 Private Infrastructure

In thousands of EUR	**31.12.2009**	**31.12.2008**
Balance at beginning of period	-	-
Purchase of limited partnerships and directly held investments	1'511	590
Revaluation	418	(590)
Balance at end of period	**1'929**	**-**

11 Financial assets at fair value through profit or loss held for trading

In thousands of EUR	**31.12.2009**	**31.12.2008**
Balance at beginning of period	6'830	31'284
Sale of listed private equity investments	(7'323)	(9'799)
Revaluation	493	(14'655)
Balance at end of period	**-**	**6'830**

12 Cash and cash equivalents

In thousands of EUR	**31.12.2009**	**31.12.2008**
Bank balances	3'251	13'707
Cash equivalents	12'000	-
Total cash and cash equivalents	**15'251**	**13'707**

13 Capital

13.1 Capital

In thousands of EUR	**31.12.2009**	**31.12.2008**
Authorized		
200'100'000 Ordinary shares of EUR 0.001 each	200	200
	200	200
Issued and fully paid		
70'100'000 Ordinary shares of EUR 0.001 each out of the bond conversion	70	70
	70	70

13.2 Reserves

In thousands of EUR	**31.12.2009**	**31.12.2008**
Distributable reserves		
Distributable reserves at beginning of reporting period	668'882	689'912
Dividend payment	-	(21'030)
Total distributable reserves at end of reporting period	**668'882**	**668'882**

14 Dividend payment

There was no dividend payment in 2009. On 20 June 2008 a dividend of EUR 0.30 per share was paid to investors.

15 Shareholders above 3% of Ordinary shares issued

CVP/CAP Coop Personalversicherung holds 3'551'206 shares which is 5.07% of all ordinary shares issued. Deusche Asset Management Investmentgesellschaft mbH holds 6'095'900 shares which is 8.70% of all ordinary shares issued. Vega Invest Fund plc holds 6'000'000 shares which is 8.56% of all ordinary shares issued.

16 Short term credit facilities

As of 25 September 2009, the Company entered into a 3–year credit facility, with a large international bank and other lenders, of initially EUR 40m and the potential to increase to EUR 90m. The credit facility is structured as a combination of committed senior term and revolving facilities and a subordinated term facility. The Company may redesignate its senior revolving facility, fully or partially, to a senior term loan. No such re-designation has taken place as at the end of the reporting period. The purpose of the facility is, inter alia, to meet potential upcoming liquidity constraints. The credit facilities are due to terminate on 25 September 2012.

The credit facilities of the Company form part of EUR 170m syndicated term loan and revolving facilities (the "Syndicated Facilities") available to the Company, Pearl Holding Limited and Partners Group Global Opportunities Limited (each a "Borrower"). Each Borrower is independently responsible for its borrowings and the default of one Borrower does not trigger the default of any other Borrower under the Syndicated Facilities.

The Syndicated Facilities may be allocated among the Borrowers as per individual demand and as determined by Partners Group AG (the "Allocation Agent") subject to certain minimum and maximum limits.

The Syndicated Facilities are comprised of senior and junior facilities and the senior and junior facilities are EUR 85m each. The junior term facilities are provided by Green Stone IC Limited and Partners Group Finance CHF IC Limited, each a Guernsey limited liability company, which since 21 December 2009 has been split in the proportion of EUR 15.67/EUR 69.33m respectively.

Green Stone IC Limited is majority owned by partners and employees of Partners Group Holding AG while Partners Group Finance CHF IC Limited is a wholly owned subsidiary of Partners Group Holding AG.

With respect to the Company and the reallocation permitted among the Borrowers from time to time, as determined by the Allocation Agent, the minimum and maximum allocation is EUR 15m and EUR 45m for either facility with a maximum aggregate allocation of EUR 90m. The Company's ability to increase its facilities may depend on the allocation of the Syndicated Facilities to other Borrowers.

Initially, the Company has been allocated EUR 20m under both the junior and senior facilities, a total of EUR 40m. As at 31 December 2009 the Company had drawn down EUR 20m all of which is currently under the junior facility. As at the end of the reporting period, the Company had no outstanding amounts under the senior facility and had EUR 20m available of undrawn credit facilities under the current allocation.

Since the year end the facility amounts have been adjusted, by the Allocation Agent, to the following amounts: EUR 20m under the senior revolving facility and EUR 15m under the junior facility. On 25 January 2010, the Company repaid EUR 5m previously drawn under the junior facility.

In relation to the senior revolving facility, interest on drawn amounts is calculated at a rate of 5% per annum (calculated as a margin of 2.75% on drawn amounts plus a facility fee of 2.25% on the applicable senior facility amount) above the applicable EURIBOR rate. In addition there is a facility fee of 2.25% per annum on the remaining undrawn applicable senior facility amount.

The margin on drawn amounts under the junior facility is 8.75% per annum above EURIBOR. No facility fee is due under the junior facility.

The Company paid to the bank arranging and structuring the credit facilities an arrangement fee of EUR 176,471 and a structuring fee of EUR 41,667. Lenders under the senior facilities and junior facility are entitled to a participation fee of 2% of their commitment, payable and due on the date of first utilisation of the respective facility. An aggregate participation fee of EUR 400,000 has been paid to Partners Group Finance CHF IC Limited and Green Stone IC Limited, the Company's lender under the junior facility. No participation fee is payable yet under the senior facility. An annual agency fee of EUR 20,000 is payable to the senior facility agent.

The Company must maintain a minimum adjusted net asset value and a minimum cash balance, which in the case of the Company is EUR 350m and EUR 3m respectively. In addition the Company must have a net asset cover (total indebtedness to adjusted net asset value) of less than 25%.

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

The Company may not fully or partially repay any amount of the junior facility before any amount drawn, as at that date, of the senior facility has been repaid in full.

In thousands of EUR	**31.12.2009**	**31.12.2008**
Short term credit facilities	**20'000**	**-**

17 Commitments

In thousands of EUR	**31.12.2009**	**31.12.2008**
Unfunded commitments translated at the rate prevailing at the balance sheet date	283'520	374'928

18 Net assets and diluted assets per share

In thousands of EUR	**31.12.2009**	**31.12.2008**
Net assets of the Group	514'297	579'659
Outstanding shares at the balance sheet date	70'100'000	70'100'000
Net assets per share at period-end	7.34	8.27

19 Financial risk management

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

19.1 Foreign exchange risk

The Group holds assets denominated in currencies other than its 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 assets held in other currencies where a change of exchange rates can have a material impact on the value of assets. The Investment Manager'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. Further, the Investment Manager's risk management committee reviews the foreign exchange risk on a monthly basis and proposes changes to the actual hedging positions if necessary.

The annual volatility uses cross-currency rates from 1 January 2001 to the respective year end and based on the assumption that the non Functional Currency fluctuates by the annual volatility, shows below the amount by which the value of those applicable assets and the corresponding results would fluctuate either higher or lower.

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

In thousands of EUR	**31.12.2009**	**31.12.2008**
Assets denominated in CHF	1'947	1'698
Assets denominated in GBP	9'253	8'236
Assets denominated in SEK	611	1'409
Assets denominated in USD	163'387	109'148
Assets denominated in NOK	3'990	3'034
Applicable annual volatility CHF	4.50%	4.70%
Applicable annual volatility GBP	8.40%	7.80%
Applicable annual volatility SEK	6.00%	5.00%
Applicable annual volatility USD	10.20%	9.80%
Applicable annual volatility NOK	7.40%	6.80%
Fluctuation of assets and corresponding results depending on above mentioned volatility	**17'862**	**11'695**

19.2 Interest rate risk

The Group may invest in interest-bearing mezzanine investments that are exposed to the risk of changes in market interest rates. The interest on 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.

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

A change of 50 basis points in interest rates at the reporting date would have resulted in an increase / (decrease) in surplus or loss by the stated amounts. This analysis assumes that all other variables in particular foreign currency rates remain constant and is performed on the same basis for the previous year.

Variable rate instruments

In thousands of EUR	**31.12.2009**	**31.12.2008**
Mezzanine investments	11'785	9'484
Cash and cash equivalents	15'251	13'707
Total variable rate instruments	**27'036**	**23'191**

Sensitivity analysis

In thousands of EUR	50bp increase	50bp decrease
2009		
Variable rate instruments	135	(135)
2008		
Variable rate instruments	116	(116)

19.3 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 assets within the private debt operating segment or where the Group holds a direct interest.

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). The Investment Manager ensures that any surplus cash is invested in temporary investments. In addition, where the Group holds significant amounts of cash the Investment Manager may seek to diversify this exposure across multiple financial institutions.

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 or with concern, the loan facility's actual value will be assessed and, if necessary, impaired. The amount of any impairment is disclosed herein.

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 small and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions were renegotiated during the year.

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

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

Rating of mezzanine investments

In thousands of EUR	**31.12.2009**	**31.12.2008**
As expected	3'990	6'705
Below expectations	7'795	2'778
With concern	-	1
Total	**11'785**	**9'484**

Duration of credit risk

In thousands of EUR	Not past due	Past due less than 1 year	Past due more than 1 year
2009			
Hedging asset	5'776		
Cash and cash equivalents	15'251		
Other short-term receivables	1'615	-	-
Mezzanine instruments	11'785		
2008			
Hedging asset	12'559		
Cash and cash equivalents	13'707		
Other short-term receivables	784	-	-
Mezzanine instruments	9'484		

19.4 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 facility, reducing the amount of listed private equity or the selling of investments on the secondary market.

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

19.5 Overcommitment strategy

In thousands of EUR	**31.12.2009**	**31.12.2008**
2009		
Unfunded commitments	(283'520)	(374'928)
Cash and cash equivalents	15'251	13'707
Financial assets at fair value through profit or loss held for trading	-	6'830
Net hedging assets / (liabilities)	5'776	12'559
Net other current assets	(3'658)	(3'819)
Unutilized credit-line	20'000	35'835
Total	**(246'151)**	**(309'816)**

Liquidity risk current year

In thousands of EUR	Less than 3 months	3 to 12 months
2009		
Unfunded commitments	(283'520)	
Other short term payables	(5'273)	-
Hedging assets / (Hedging liabilities)	5'776	
Total	**(283'017)**	**-**

Liquidity risk previous year

In thousands of EUR	Less than 3 months	3 to 12 months
2008		
Unfunded commitments	(374'928)	
Other short term payables	(4'603)	-
Hedging assets / (Hedging liabilities)	12'559	
Total	**(366'972)**	**-**

19.6 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a 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.

19.7 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 through a careful selection of investments within specified limits. The Group's investments are monitored on a regular basis by the Investment Manager and are reviewed on a quarterly basis by the Board of Directors. The Group checks its performance against the 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 shown for the period from 1 January 2001 to the relevant year end by using the monthly data. Under the assumption that designated assets at fair value through profit or loss and investments in listed private equity, if any, fluctuate with the annual volatility the value and the result of designated assets at fair value through profit or loss and investments in listed private equity, if any, would be impacted by the values shown which could be either higher or lower.

In thousands of EUR	**31.12.2009**	**31.12.2008**
Designated financial assets at fair value through profit or loss	516'928	550'382
Financial assets at fair value through profit or loss held for trading	-	6'830
Total assets subject to market risk	**516'928**	**557'212**
Annual expected volatility	26.60%	23.30%
Potential impact on balance sheet and statement of comprehensive income	**137'503**	**129'830**

19.8 Fair value estimation

The Group adopted the amendment to IFRS 7 with effect from 1 January 2009. This requires the Group to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

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

The table analyses within the fair value hierarchy the Group's financial assets measured at fair value at the end of the reporting period.

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

The Directors have assessed that any derivatives used for hedging valued based on dealer quotes at the end of the reporting period are classified in Level 2 as it believes that the Group could redeem the derivatives at the value stated.

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

In thousands of EUR	Level 1	Level 2	Level 3	Total balance
2009				
Assets				
Derivatives used for hedging		5'776		5'776
Designated financial assets at fair value through profit or loss - equity securities			476'016	476'016
Designated financial assets at fair value through profit or loss - debt investments			40'912	40'912
Total assets	**-**	**5'776**	**516'928**	**522'704**
2008				
Assets				
Financial assets at fair value through profit or loss held for trading	6'830			6'830
Derivatives used for hedging		12'559		12'559
Designated financial assets at fair value through profit or loss - equity securities			501'215	501'215
Designated financial assets at fair value through profit or loss - debt investments			49'167	49'167
Total assets	**6'830**	**12'559**	**550'382**	**569'771**

20 Dividend and interest income and expense

In thousands of EUR	**31.12.2009**	**31.12.2008**
Dividend and interest income		
From designated financial assets at fair value through profit or loss	1'208	2'215
From cash and cash equivalents	30	2'108
Total dividend and interest income	**1'238**	**4'323**
Interest expense		
Credit financing interest and expenses	(511)	(139)
Total interest expense	**(511)**	**(139)**
Net result from dividends and interest	**727**	**4'184**

21 Foreign exchange gains and (losses)

In thousands of EUR	**31.12.2009**	**31.12.2008**
On designated financial assets at fair value through profit or loss	(5'307)	14'808
On short-term payables and receivables	330	(435)
On cash and cash equivalents	535	(168)
Total foreign exchange gains and (losses)	**(4'442)**	**14'205**

22 Revaluation and realized gains and (losses)

In thousands of EUR	**31.12.2009**	**31.12.2008**
On designated financial assets at fair value through profit or loss	(33'813)	(81'615)
On financial assets at fair value through profit or loss held for trading	493	(14'655)
Total revaluation and realized gains and (losses)	**(33'320)**	**(96'270)**

23 Related party transactions

A related party transaction is one that involves a person or entity that is related to the Group where one party is able to exert control or significant influence of the related party in making financial and operational decisions or is a member of the key management team of each entity within the Group or their Boards of Directors. Entities will also be related where they are members of the same group. In this regard the following are considered related parties in the context of these financial statements; all entities owned and controlled by Partners Group Holding AG, all entities advised by Partners Group AG, Green Stone IC Limited, the entities within the Group and the Board of Directors of each entity within the Group.

In thousands of EUR	**31.12.2009**	**31.12.2008**
i) Transactions		
Management fee paid / payable to:		
Princess Management Limited	12'535	14'214
Incentive fee paid / payable to:		
Princess Management Limited	1'304	280
Net reimbursement of fees received from		
investments in related limited partnerships	1'168	2'805
Administration fee paid / payable to:		
Partners Group (Guernsey) Limited	232	362
Other operational expenses paid / payable to:		
Princess Management Limited	-	72
Setup expenses - credit facility		
Green Stone IC Limited	74	-
Partners Group CHF IC Limited	326	-
Interest expenses - credit facility		
Green Stone IC Limited	28	-
Partners Group CHF IC Limited	124	-
Directors' fees paid		
A. Billmaier	40	40
B. Human	42	30
C. Maltby	20	50
F. Dunlop	24	-
J. Hooley	14	40
R. Battey	24	-
ii) Year-end balances		
Short term credit facilities		
Green Stone IC Limited	3'687	-
Partners Group CHF IC Limited	16'313	-
Other short-term payables		
Princess Management Limited	56	4'209
Green Stone IC Limited	10	-
Partners Group CHF IC Limited	45	-

24 Number of employees

As at 31 December 2008 and 2009 no persons were employed by the Group.

25 Group enterprises - significant subsidiaries

Princess Private Equity Subholding Limited
Incorporated in Guernsey
Ownership interest as at 31 December 2009 and 2008: 100%
Activity: Investment holding company

26 Events after the reporting date

The Board of Directors are of the opinion that no event took place between 31 December 2009 and 26 February 2010 that would require disclosure in or adjustment of these financial statements.

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Trading information

Listing	Frankfurt Stock Exchange	London Stock Exchange
ISIN	DE000A0LBRM2	GG00B28C2R28
WKN	A0LBRM	A0LBRL
Valor	2 830 461	2 830 461
Trading symbol	PEY1	PEY
Bloomberg	PEY1 GY	PEY LN
Reuters	PEYGz.DE/PEYGz.F	PEY.L
Designated sponsor	Conrad Hinrich Donner Bank	JPMorgan Cazenove

Princess