

Report for the quarter  
from 1 January 2002 to  
31 March 2002

The convertible bond issued by Princess Private Equity Holding Limited, which has been awarded a triple-A rating by Standard & Poor's, offers both institutional and private investors access to a globally diversified portfolio consisting of Private Equity partnerships. Investors have the opportunity of sharing in the potentially high earnings generated by the asset class Private Equity. Moreover, the nominal capital is protected at maturity by an insurance policy that is reinsured by Swiss Re.

## Princess Private Equity Holding undergoes valuation correction with arrival of audited December 2001 reports

### **Princess expects lowest valuations to be reported by private equity partnerships with the audited December 2001 reports.**

Although in the first quarter of 2002 Princess saw a 4.83% valuation correction from 92.18% at end-December 2001 to 87.72% at end-March 2002 there are definite signs of a recovery in the Private Equity industry. Princess has so far received 52% of the audited December 2001 partnership reports; the remainder will come in over the next few weeks. For this reason the Investment Manager expects further valuation adjustments through the second quarter. Increased merger and acquisition and initial public offering activity in both the US and Europe should then have a supportive effect on the partnerships. Furthermore, lower valuations, together with the broad diversification and quality of the Princess portfolio, should have a positive impact on the Princess Net Asset Value (NAV) in the medium-term.

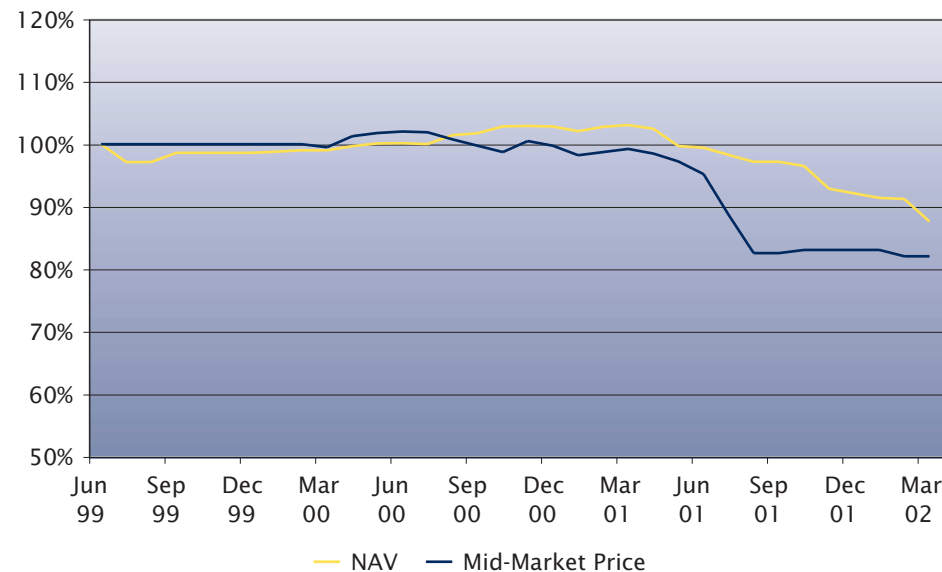
## Venture segment with biggest valuation adjustments while Special Situations performed well

### **Venture investments made in 1999 and 2000 at the height of the internet and Private Equity boom are most affected by valuation adjustments.**

Investments made by Princess Private Equity in the Venture Capital segment prior to 2001 have seen a substantial valuation adjustment of 38% since December 2000. Future potential write-downs on Venture investments are likely to have only a marginal impact on the overall Princess portfolio. Buyout investments prior to 2001 have been written down by 9% since the end of 2000. Due to the broad diversification of the portfolio, positive news can be

reported for Special Situation investments made before 2001 – they have been written up by +10% since inception. Princess investments that have been made since the beginning of 2001 amount to 30% of NAV and are still largely held at cost. At the end of March 2002, Princess Private Equity Holding held a cash position of 25% of NAV. With valuations having dropped significantly depending on the financing round, the current environment offers excellent opportunities at attractive terms from which Princess Private Equity Holding should benefit in the medium-to long-term.

NAV and Mid-Market Price since Issuance until 31 March 2002



The Private Equity industry is showing signs of recovery. The consolidation phase should see an end with audited December 2001 reports.

## Outlook for Private Equity Industry more promising

### ***Increased activity on both the investment and exit sides has been evident in first quarter 2002.***

Following the slowdown in investment activity in the fourth quarter, partnerships have started to invest once again – benefiting from lower valuations which have now returned to the levels of 1998. On the exit side, an uptick in merger and acquisition activity as well as a gradual opening of the initial public offering window can be observed.

The Institutional Limited Partners Association (ILPA), encompassing large US institutional investors, such as California Public Employees Retirement System (CalPERS), has been putting pressure on the Private Equity and Venture Capital partnerships with the audited December 2001 reports to complete the “cleaning-up” of their portfolios.

## Private Equity financial reporting procedures

### ***In the aftermath of the internet boom and Enron scandal, individual company and partnership valuations and their adjustments are now at the center of investors' attention.***

Although Private Equity is often perceived to be an inefficient and unregulated industry, the European Venture Capital Association (EVCA) has recently revised its valuation guidelines and procedures so as to provide greater consistency and transparency to investors. The American National Venture Capital Association (NVCA) is currently discussing establishing similar guidelines.

The EVCA recommends that two separate valuations be applied to unquoted investments, the conservative value based on cost or the last round of financing, which is used primarily for Venture investments, and the fair market value, which is used mainly for Buyout investments.

All the partnerships that Princess Private Equity Holding has invested in provide quarterly or semi-annual reports and an audited annual report by a reputable auditing company. As part of Princess's due diligence process, a partnership is required to state clear valuation guidelines that it adhere to.

## Guidelines for valuation adjustments

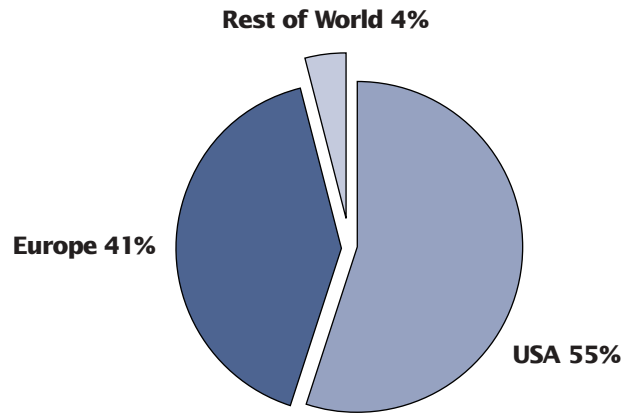
### ***Clear EVCA guidelines exist on write-down procedures for both venture and buyout investments.***

In the case of valuation at cost, which applies primarily to venture investments, in the event of a material and permanent diminution in the value of the investment below cost, the EVCA recommends the investment be written down in a timely manner in multiples of 25%. Valuation adjustments can be triggered, among others, if the value or potential of the company falls significantly below the levels at the time of investment, if the company performs substantially and consistently behind plan, or if market conditions change substantially.

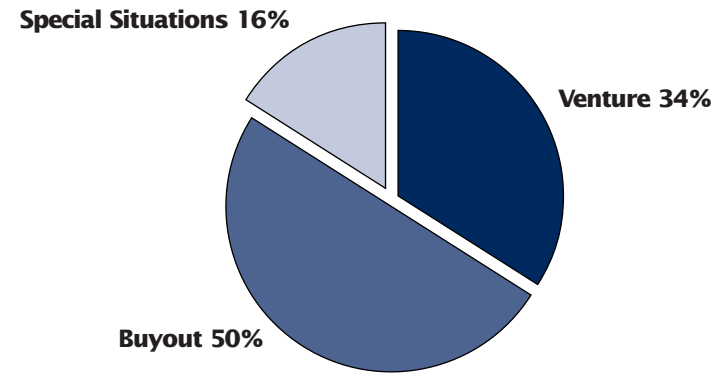
The fair market value of unquoted investments, mainly in the case of buyout investments, is determined by reference to companies with a similar business focus, size, profitability and with established valuations. Further, a discount of at least 25% is applied universally to the portfolio to take account of the illiquidity. Thus, if the valuation of the reference companies changes, so the valuation of the unquoted company also changes.

Princess Private Equity strives to have a well-balanced and broadly diversified portfolio across different financing stages, industries, vintage years and geographic regions. More than 65% of the Princess portfolio is invested in the more risk-averse segments Buyout and Special Situations.

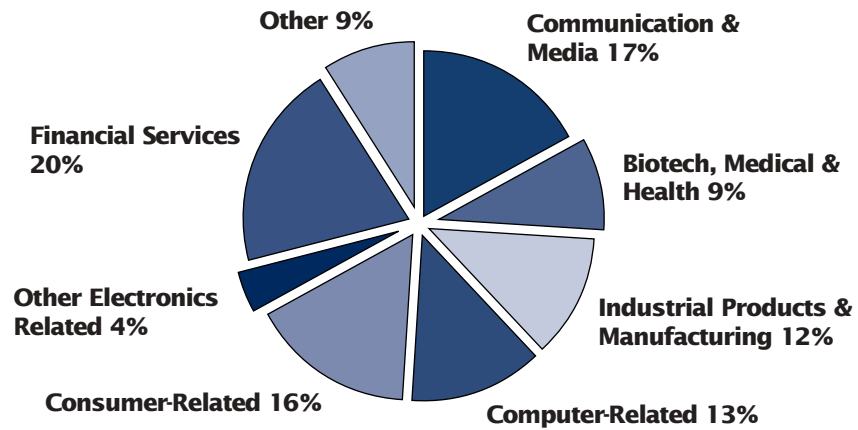
Investments by Geographic Region



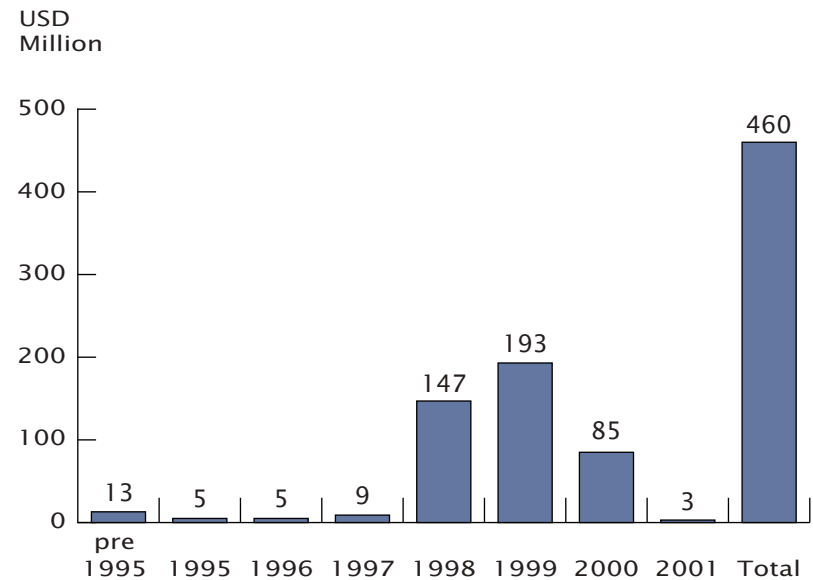
Investments by Financing Stage



Investments by Industry



Investments by Vintage Year



Since inception, Princess Private Equity Holding has received USD 83.7 million in distributions, representing 14% of Net Asset Value. During the first quarter 2002, Princess Private Equity received proceeds from 16 different partnerships. On the investment side, Princess made no new commitments. Investment activity in portfolio partnerships is gradually picking up speed again but nonetheless remains considerably lower compared with the period before March 2001.



## Selected exits

Despite the ongoing difficult market environment, Princess portfolio partnerships continue to generate distributions although at lower levels compared to previous years.

### **European Private Equity Fund I**

In the first quarter of 2002, Bridgepoint Capital Limited sold German Eurocom Depora GmbH to Finland Post Corporation for an undisclosed sum. Eurocom Depora is specialized in electronic data management as well as filing and printing services for a wide variety of companies. Bridgepoint Capital acquired Eurocom Depora in October 1998 following a EUR 17 million management buyout from Microgen Holdings Plc. Finland Post is pursuing a growth strategy in electronic data management, and this acquisition complements the two electronic data management companies that it already owns, Finnish Atkos Oy and Swedish Capella Group AB, which it acquired from Bridgepoint Capital in August 2001.

### **Blackstone Communication Partners I and Battery Ventures VI**

Distributions were received from Blackstone and Battery Ventures from the sale of their respective stakes in the London Financial Futures and Options Exchange (LIFFE) to Euronext. Euronext was formed in 2000 by the merger of the Belgian, Dutch and French exchanges. The transaction was worth GBP 555 million. Blackstone and Battery Ventures generated a substantial return on their initial investment. Blackstone made its investment in LIFFE in partnership with Battery Ventures in November 2000. With their investment the two Private Equity

firms allowed the exchange to continue its transition from an open “out-cry”, European futures exchange to an electronic, multi-product, global financial institution. The exchange subsequently performed well, and sold the first commercial version of its trading system, launched a major product initiative (single stock futures) and signed a joint venture agreement with NASDAQ to expand its presence in the USA.

### **Morgan Stanley Leveraged Equity Fund II**

In the first quarter of 2002, proceeds were received from the sale by the Morgan Stanley Leveraged Equity Fund II, L.P of shares of Smurfit-Stone Container Corporation common stock. Smurfit-Stone is the largest integrated producer of paperboard and paper-based packaging products. It is the largest paper recycler in the world. The company was formed in November 1998 from the merger of Jefferson Smurfit Corporation and Stone Container Corporation.

## Selected investments

Portfolio partnerships continue to make investments but still at a considerably slower pace compared to previous years.

### **European Private Equity Fund II**

In the first quarter of 2002, Bridgepoint Capital acquired 55% of Virgin Active in a transaction totaling GBP 110 million. Virgin retains a 36.6% stake and the management a 7.9% stake. Virgin Active is a health and fitness business that has grown very rapidly since starting up in 1999 to become one of the five largest health club operations in the world with 320'000 members in the UK and South Africa. Virgin Active promotes the philosophies of fun, innovation and excellent customer service. It plans to increase the number of Virgin Active Life Centre clubs in the UK and extend rights to use the brand in Europe, North America and Asia. The UK health and fitness market is forecasted by Minitel to grow by as much as 60% in the four years to 2005, which amounts to a compounded annual growth rate of 12%.

At the end of March 2002, the Princess Private Equity portfolio had commitments to 101 partnerships with investments in more than 2'000 underlying portfolio companies.

### **USA and Canada – Venture**

Access Technology Partners  
Advanced Technology Ventures VI  
APAX Excelsior VI  
Austin Ventures VII  
Battery Ventures VI  
Cardinal Health Partners II  
Catterton Partners IV Offshore  
Chancellor V  
Columbia Capital Equity Partners III  
Crescendo IV  
Dolphin Communications Fund  
Draper Fisher Jurvetson Fund VII  
Infinity Capital Venture Fund 1999  
Invesco Venture Partnersh. Fund II  
Invesco Venture Partnersh. Fund II-A  
Menlo Ventures IX  
Morgan Stanley Venture Partners IV  
Morgenthaler Partners VII  
Prism Venture Partners IV  
Sevin Rosen Fund VIII  
Sierra Ventures VIII  
Summit Ventures VI  
TA IX  
TH Lee. Putnam Parallel Partners  
TL Ventures V  
Vortex Corporate Development Fund  
Weiss, Peck & Greer Venture Ass. VI  
Worldview Technology Partners III  
Worldview Technology Partners IV

### **USA and Canada – Buyout**

American Securities Partners III  
Apollo Investment V  
Blackstone Communication Partners I  
Bruckmann, Rosser, Sherrill & Co. II  
Carlyle Partners III  
Fenway Capital Partners II  
Heritage Fund III  
Invesco U.S. Buyout Partnersh. Fund II  
Kohlberg TE Investors IV  
PG SPP1  
Silver Lake Partners

T3 Partners  
Thomas H. Lee Equity Fund V  
Thomas Weisel Capital Partners  
TPG Partners III  
Vestar Capital Partners IV  
William Blair Capital Partners VI

### **USA and Canada – Special Situations**

Blackstone Mezzanine Partners  
Canterbury Mezzanine Capital II  
Chase 1998 Pool Participation Fund  
EnerTech Capital Partners II  
Levine Leichtmann Capital Partners II  
OCM Opportunities Fund III  
OCM/GFI Power Opportunities Fund  
Pegasus Partners II  
Providence Equity Partners IV  
TCW/Crescent Mezzanine Partners III

### **Europe – Venture**

Abingworth Bioventures III  
Elderstreet Capital Partners  
European E-Commerce Fund  
European Private Equity Partners III  
GMT Communications Partners II  
Galileo III  
Index Ventures I  
Merlin Biosciences Fund  
Schroder Vent. Intern. Life Science II  
Wellington Partners II

### **Europe – Buyout**

3i Eurofund III  
Astorg II  
Botts Capital Partners  
Coller International Partners III NW1  
Coller International Partners III NW2  
Doughty Hanson & Co III  
European Private Equity Fund D  
Graphite Capital Partners V 'A'  
Graphite Capital Partners V 'F'  
Industri Kapital 2000 Fund  
Italian Private Equity Fund III

Mercapital Spanish Private Equity II  
Nordic Capital IV  
Palamon European Equity 'C'  
Partners Private Equity  
Quadriga Capital Private Equity Fund II  
Schroder Ventures European Fund II  
Segulah II  
The Second Cinven Fund  
Warburg Pincus International Partners

### **Europe – Special Situations**

Coller International Partners III  
Doughty Hanson Europe Real Estate  
ICG Mezzanine Fund 2000  
Mezzanine Management Fund III  
The Rutlund Fund

### **Rest of World – Venture**

Carmel Software Fund  
Crimson @Velocity  
Genesis Partners II  
Jerusalem Venture Partners III  
Polaris Venture Capital Fund III

### **Rest of World – Buyout**

Advent Latin American PE Fund II  
Exxel Capital Partners VI  
Newbridge Asia III  
Polish Enterprise Fund IV  
Unison Capital Partners

Consolidated unaudited statement of income  
for the period from 1 January 2002 to 31 March 2002

	Notes	01.01.02– 31.03.02 USD	01.01.01– 31.03.01 USD
<b>Net income from limited partnerships and directly held investments</b>		<b>(25'391'005)</b>	<b>7'067'891</b>
Dividend and interest income	4	620'969	705'555
Revaluation	4	(25'534'147)	5'277'666
Foreign exchange gains and losses	4	(477'827)	1'084'670
<b>Net income from short-term investments</b>		<b>628'883</b>	<b>2'457'292</b>
Interest income	5	628'883	2'222'292
Revaluation	5	–	235'000
<b>Net income from cash and cash equivalents</b>		<b>127'173</b>	<b>2'052'391</b>
Interest income	7	131'925	2'055'501
Foreign exchange gains and losses		(4'752)	(3'110)
<b>Operating income</b>		<b>(24'634'949)</b>	<b>11'577'574</b>
<b>Operating expenses</b>		<b>(6'319'638)</b>	<b>(6'874'105)</b>
Management fee		(3'744'374)	(4'002'774)
Administration fee		(80'770)	(90'148)
Insurance fee		(2'423'086)	(2'704'452)
Tax exemption fee		–	(428)
Other operating expenses		(71'408)	(76'303)
<b>Financing cost</b>		<b>(7'956'879)</b>	<b>(7'536'975)</b>
Finance cost on convertible bond	9	(7'565'111)	(7'145'207)
Amortisation of transaction costs	9	(391'768)	(391'768)
<b>Surplus / (loss) for the financial period</b>		<b><u>(38'911'466)</u></b>	<b><u>(2'833'506)</u></b>

The disclosures relating to the calculation of the result per share are included in note 13.

Basic surplus / (loss) per share	USD	(3'891.1466)	(283.3506)
Diluted surplus / (loss) per share	USD	(5.5509)	(0.4042)

Consolidated unaudited balance sheet  
at 31 March 2002

	Notes	USD	31.03.02 USD	USD	31.12.01 USD
<b>Assets</b>					
<b>Non-current assets</b>					
Investments in limited partnerships and directly held investments	1&4		<b>459'918'270</b>		461'574'349
<b>Current assets</b>					
Short-term investments	1&5	<b>114'697'604</b>		129'674'211	
Other short-term receivables	6	<b>23'250</b>		188'881	
Hedging asset	4	<b>539'987</b>		659'959	
Cash and cash equivalents	7	<b>39'736'890</b>		53'785'261	
			<b>154'997'731</b>		184'308'312
<b>Total assets</b>			<b>614'916'001</b>		645'882'661
<b>Equity and Liabilities</b>					
<b>Capital and reserves</b>					
Issued capital	8	<b>100</b>		100	
Reserves		<b>88'632'811</b>		127'544'277	
			<b>88'632'911</b>		127'544'377
<b>Liabilities falling due after more than one year</b>					
Convertible bond	9		<b>526'254'580</b>		518'297'701
<b>Liabilities falling due within one year</b>					
Other short-term payables	10	<b>28'510</b>		40'583	
			<b>28'510</b>		40'583
<b>Total liabilities</b>			<b>614'916'001</b>		645'882'661

Consolidated unaudited statement of changes in equity  
for the period from 1 January 2002 to 31 March 2002

	<b>Share capital USD</b>	<b>Share premium USD</b>	<b>Accumulated Surplus / (loss) USD</b>	<b>Total USD</b>
<b>Equity at beginning of reporting period</b>	100	241'028'914	(113'484'637)	<b>127'544'377</b>
Surplus / (loss) for the financial period	<u>—</u>	<u>—</u>	<u>(38'911'466)</u>	<b><u>(38'911'466)</u></b>
<b>Equity at end of reporting period</b>	<b><u>100</u></b>	<b><u>241'028'914</u></b>	<b><u>(152'396'103)</u></b>	<b><u>88'632'911</u></b>

Consolidated unaudited statement of changes in equity  
for the period from 1 January 2001 to 31 March 2001

	Share capital USD	Share premium USD	Accumulated Surplus / (loss) USD	Total USD
<b>Equity at beginning of reporting period</b>	100	241'028'914	(7'446'571)	<b>233'582'443</b>
Revaluation of limited partnerships	–	–	(4'052'498)	<b>(4'052'498)</b>
Foreign exchange surplus / (loss) on limited partnerships	–	–	(1'089'555)	<b>(1'089'555)</b>
Additional short-term payables	–	–	(53'543)	<b>(53'543)</b>
Transfer from investments in limited partnerships to income statement	–	–	(349'212)	<b>(349'212)</b>
Foreign exchange surplus / (loss)	–	–	(463)	<b>(463)</b>
Foreign exchange gain relating to unsettled hedging contract	–	–	22'754	<b>22'754</b>
	100	241'028'914	(12'969'088)	228'059'926
Surpluses / (losses) reclassified to the income statement	–	–	(2'833'506)	<b>(2'833'506)</b>
<b>Equity at end of reporting period</b>	<b>100</b>	<b>241'028'914</b>	<b>(15'802'594)</b>	<b>225'226'420</b>

Consolidated unaudited cash flow statement  
for the period from 1 January 2002 to 31 March 2002

	Notes	01.01.02– 31.03.02 USD	01.01.01– 31.03.01 USD
<b>Cash flow from operating activities</b>			
Management fees		(3'744'374)	(4'002'774)
Administration fees		(80'770)	(90'148)
Insurance fees		(2'423'086)	(2'704'452)
Other operating expenses		(71'408)	(76'731)
Realised gains / (losses) on hedging	4	1'338'894	703'475
(Increase) / Decrease in other short-term receivables	6	149'582	5'704
Increase / (Decrease) in other short-term payables	10	(12'073)	(176'450)
Interest and dividend income from limited partnerships and directly held investments	4	620'969	705'555
Purchase of limited partnership and directly held investments	4	(28'996'337)	(50'360'530)
Distributions of limited partnerships and directly held investments	4	3'421'520	18'362'117
Interest income received from short-term investments	5	1'054'099	4'146'794
Purchase of short-term investments	5	(114'394'510)	(29'235'621)
Repayment at cost of short-term investments	5	128'945'901	140'000'000
Interest income received from cash and cash equivalents	7	<u>70'359</u>	<u>1'505'813</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(14'121'234)</b>	<b>78'782'752</b>
<b>Cash and cash equivalents at beginning of reporting period</b>	7	<b>53'785'261</b>	<b>60'675'702</b>
Effect of exchange rate changes on cash and cash equivalents		<u>(4'752)</u>	<u>(3'110)</u>
<b>Cash and cash equivalents at end of reporting period</b>	7	<b><u>39'659'275</u></b>	<b><u>139'455'344</u></b>



# Notes to the Consolidated unaudited financial statements

## 1 Principal accounting policies

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

### ***Basis of preparation***

The financial statements have been prepared in accordance with International Accounting Standard No 34 (Interim Reporting). The financial statements are prepared under the historical cost convention as modified by the fair valuation of available for sale securities.

The financial assets are disclosed at fair value; all realised and unrealised surpluses and losses are recognised in the statement of income.

### ***Income***

Income from bank deposits is included on an accruals basis.

Income from short-term investments and cash equivalents also includes the increase in value of bonds purchased at a discount.

### ***Expenditure***

The expenditure is included in the accounts on an accruals basis.

### ***Reporting currency***

As US dollars reflects the economic substance of the underlying events and circumstances relevant to the Group and US dollars are used to a significant extent in, or has a significant impact on, the Group, US dollars are the appropriate currency to be used as the measurement currency and accordingly the reporting currency in these financial statements. All transactions in currencies other than the measurement currency are treated as transactions in foreign currencies.

## ***Investment in limited partnerships and directly held investments***

International Accounting Standards 39 ("IAS 39"), Financial Instruments: Recognition and Measurement requires investments to be held at fair value, or at cost less provision for diminution in value, where no reasonable range of fair values can be determined. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction.

Investments in limited partnerships and directly held investments are valued initially at cost and thereafter at the most recent net asset value as reported by the underlying partnership, which the Directors believe to be the most appropriate estimate of fair value.

Owing to the diversified nature of the limited partnership investments and directly held investments, underlying partnerships adopt a variety of accounting and valuation bases. In selecting investments the Directors have taken into consideration the accounting and valuation basis of the underlying partnership and select only those investments, which adopt an internationally recognised standard.

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

Notwithstanding the above, the variety of valuation bases adopted and quality of management information provided by the underlying partnerships means there are inherent difficulties in determining the fair value of these investments.

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

Any changes in fair value as well as any realised surpluses or losses, being the difference between the proceeds and the carrying amount of the investments are shown within "Net income from limited partnerships and directly held investments – Revaluation".

## Notes (continued)

The Group recognises the funding of the limited partnerships and directly held investments on the date funds are transferred to the partnership. Any distributions, including return of principal of investment, received from the underlying limited partnerships and directly held investments are recognised on the distribution date.

### **Short-term investments**

Short-term investments are defined as investments with maturity between three and twelve months from the date of purchase.

The short-term investments purchased at par are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value are included within “Net income from short term investments – Revaluation”.

The short-term investments purchased at a discount are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value and the interest received at maturity are included within “Net income from short term investments – interest income”.

Upon maturity of the short-term investments purchased at a discount the difference between the last reported fair value and the maturity amount are included within “Net income from short term investments – interest income”.

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

### **Cash and cash equivalents**

The Cash and cash equivalents consist of cash at banks and cash invested in money market instruments with a maturity of up to three months from the date of purchase. The cash equivalent investments purchased at a discount are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value and the interest received at maturity are included within “Net income from cash and cash equivalents – interest income”.

Upon maturity of the cash equivalent investments purchased at a discount the difference between the last reported fair value and the maturity amount are included within “Net income from cash and cash equivalents – interest income”.

### **Foreign exchange**

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

### **Accounting for hedging activities**

The Group’s policy of hedging the value of non-US dollar investments in limited partnerships and directly held investments against the US dollar does not qualify as hedge accounting as defined in IAS 39. As a result the unrealised changes in the fair value of these derivatives and the realised net gains / losses on the derivatives that matured during the year are recognised in the statement of income under the heading of “Net income from Limited Partnerships and directly held investments – foreign exchange gains and losses”.

### **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 unrealised surplus and deficits on transactions between group companies have been eliminated. A listing of the Group’s subsidiaries is set out in Note 17.

**2 Expenses*****Investment management fee***

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

***Administration fee***

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between Princess Private Equity Holding Limited and Partners Group (Guernsey) Limited.

***Insurance fee***

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

**3 Taxation status**

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

**4 Limited partnerships and directly held investments****4.1 Investments**

	<b>31.03.02</b>	<b>31.12.01</b>
	<b>USD</b>	<b>USD</b>
<b>Balance at beginning of reporting period</b>	<b>461'574'349</b>	415'975'657
Capital activity recorded at the transaction rate	<b>28'585'052</b>	149'830'213
Out of commitment expenses	<b>411'285</b>	1'716'910
Distributions	<b>(3'421'520)</b>	(38'315'707)
Revaluation	<b>(25'534'147)</b>	(65'306'122)
Foreign exchange gain/ (loss)	<b>(1'696'749)</b>	(2'326'602)
<b>Balance at end of reporting period</b>	<b><u>459'918'270</u></b>	<u>461'574'349</u>

The balance on the investments in limited partnerships and directly held investments at the end of the reporting period can be split as follows:

	<b>31.03.02</b>	<b>31.12.01</b>
	<b>USD</b>	<b>USD</b>
North America	<b>252'418'928</b>	256'799'915
European	<b>187'145'055</b>	184'853'665
Rest of World	<b>20'354'287</b>	19'920'769

Notes (continued)

**4.2 Distributions**

	<b>01.01.02– 31.03.02 USD</b>	<b>01.01.01– 31.03.01 USD</b>
Dividends	<b>13'970</b>	–
Interest income	<b>606'999</b>	705'555
	<b>620'969</b>	705'555
Return of investments – received in cash	<b>3'421'520</b>	18'362'117
Return of investments – received in kind	–	–
<b>Total distributions</b>	<b>4'042'489</b>	19'067'672

**4.3 Foreign exchange**

	<b>01.01.02– 31.03.02 USD</b>	<b>01.01.01– 31.03.01 USD</b>
Foreign exchange revaluation	<b>(1'696'749)</b>	(1'742'721)
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	<b>(119'972)</b>	2'146'670
Realised gain / (loss) from foreign exchange hedges relating to investments in limited partnerships and directly held investments	<b>1'338'894</b>	703'475
Foreign exchange gain from settled hedging contract, recognised directly in equity	–	(22'754)
	<b>(477'827)</b>	1'084'670

## Notes (continued)

### 4.3 (continued)

At the balance sheet date, Princess Private Equity Holding had the following forward foreign exchange contracts in place. The contracts were entered into to hedge against changes in the foreign exchange value of the investments of Princess Private Equity Subholding Limited. The unrealised surplus / (loss) at the end of the reporting period is detailed below:

	USD	Rate	Value date	Surplus/(loss) USD 31.03.02	Surplus/(loss) USD 31.12.01
Buy USD against GBP	80'000'000	1.4389	27.03.02	–	561'540
Buy USD against Euro	45'000'000	0.8946	27.03.02	–	90'543
Buy USD against CHF	5'000'000	1.6336	27.03.02	–	(11'683)
Buy USD against SEK	9'000'000	10.5710	27.03.02	–	19'559
Buy USD against GBP	80'000'000	1.4198	27.06.02	<b>68'741</b>	–
Buy USD against Euro	54'000'000	0.8739	27.06.02	<b>341'084</b>	–
Buy USD against CHF	6'000'000	1.6639	27.06.02	<b>59'218</b>	–
Buy USD against SEK	10'000'000	10.3420	27.06.02	<b>70'944</b>	–
				<u><b>539'987</b></u>	<u>659'959</u>

### 5 Short-term investments

#### 5.1 Investments

	31.03.02 USD	31.12.01 USD
<b>Cost</b>		
<b>At beginning of reporting period</b>	<b>128'945'901</b>	240'000'000
Additions	<b>114'394'510</b>	346'037'683
Interest received in redemption	<b>1'054'099</b>	2'908'218
Redemptions	<u><b>(130'000'000)</b></u>	<u>(460'000'000)</u>
<b>At end of reporting period</b>	<u><b>114'394'510</b></u>	<u>128'945'901</u>
<b>Valuation</b>		
<b>At end of reporting period</b>	<u><b>114'697'604</b></u>	<u>129'382'451</u>
At beginning of reporting period	<u><b>129'674'211</b></u>	<u>239'675'000</u>

#### 5.2 Income

	01.01.02– 31.03.02 USD	01.01.01– 31.03.01 USD
<b>Interest income</b>		
Interest received from investments issued at a discount	<b>1'054'099</b>	–
Net interest accrued from investments issued at a discount	<b>(425'216)</b>	236'830
Interest received from investments issued at par	–	4'146'794
Net interest accrued from investments issued at par	–	(2'161'332)
<b>Total interest income from short-term investments</b>	<u><b>628'883</b></u>	<u>2'222'292</u>
<b>Revaluation</b>		
Fair value revaluation of investments issued at par	–	235'000

Notes (continued)

**6 Other short-term receivables**

	<b>31.03.02</b>	<b>31.12.01</b>
	<b>USD</b>	<b>USD</b>
Bank deposit interest receivable	–	16'049
Hedging gain	–	135'890
Sundry prepayments	<b>23'250</b>	36'942
	<u><b>23'250</b></u>	<u>188'881</u>

**7 Cash and cash equivalents**

**7.1 Balance**

	<b>31.03.02</b>	<b>31.12.01</b>
	<b>USD</b>	<b>USD</b>
<b>Cost</b>		
Cash equivalents at beginning of reporting period	–	29'649'884
Additions	<b>19'918'203</b>	302'497'605
Interest received on redemption	–	2'852'511
Redemptions	–	(335'000'000)
<b>Cash equivalents at end of reporting period</b>	<b>19'918'203</b>	–
<b>Cash at banks</b>	<b>19'741'072</b>	53'785'261
	<u><b>39'659'275</b></u>	<u>53'785'261</u>
<b>Total cost recorded in the cash flow statement</b>		
	<u><b>39'659'275</b></u>	<u>53'785'261</u>
<b>Valuation</b>		
Cash equivalents	<b>19'995'818</b>	–
Cash at banks	<b>19'741'072</b>	53'785'261
	<u><b>39'736'890</b></u>	<u>53'785'261</u>

**7.2 Interest income**

	<b>01.01.02–</b>	<b>01.01.01–</b>
	<b>31.03.02</b>	<b>31.03.01</b>
	<b>USD</b>	<b>USD</b>
Interest received from cash equivalents on maturity	–	1'132'195
Net interest accrued from cash equivalents	<b>77'615</b>	591'842
Interest received from cash at banks	<b>70'359</b>	373'618
Net interest accrued from cash at banks	<b>(16'049)</b>	(42'154)
	<u><b>131'925</b></u>	<u><b>2'055'501</b></u>
<b>Total interest income from cash and cash equivalents</b>		
	<u><b>131'925</b></u>	<u><b>2'055'501</b></u>

**8 Share capital**

	<b>31.03.02</b>	<b>31.12.01</b>
	<b>USD</b>	<b>USD</b>
<b>Authorised</b>		
20'000'000 Class A shares of USD 0.01 each	<b>200'000</b>	200'000
10'000 Class B shares of USD 0.01 each	<b>100</b>	100
	<u><b>200'100</b></u>	<u>200'100</u>
<b>Issued</b>		
10'000 Class B shares of USD 0.01 each	<b>100</b>	100
	<u><b>100</b></u>	<u>100</u>

## Notes (continued)

### 9 Convertible bond

	31.03.02 USD	31.12.01 USD
<b>Balance at beginning of reporting period</b>	<b>518'297'701</b>	487'527'439
Amortisation of transaction costs	<b>391'768</b>	1'567'071
Finance cost on convertible bond	<b>7'565'111</b>	29'203'191
<b>Balance at end of reporting period</b>	<b>526'254'580</b>	518'297'701

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

In accordance with IAS 32, Financial Instruments: Disclosure and Presentation, the net proceeds of the bond have been split between the liability and equity option components. The fair value of the equity component has been calculated as USD 242'200'000 using an accepted option valuation model. This amount is classified as share premium and will remain part of the permanent equity of the Company. The remaining net proceeds, after the allocation of the liability related transaction costs, of USD 446'135'767 are allocated to the liability component. The liability, including transaction costs, is therefore stated at a discount of 1.4379% per quarter to the maturity value.

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

### 10 Other short-term payables

	31.03.02 USD	31.12.01 USD
Sundry accruals	<u>28'510</u>	<u>40'583</u>

### 11 Commitments

	31.03.02 USD	31.12.01 USD
Total committed translated at the rate prevailing at the balance sheet date	<b>1'086'074'887</b>	1'090'470'850
Actual funded at the transaction rate	<b>590'126'758</b>	561'904'920
Unutilised commitment translated at the rate prevailing at the balance sheet date	<b>506'465'942</b>	536'611'271
Differences due to foreign exchange movements	<b>(10'517'813)</b>	(8'045'341)

### 12 Diluted net assets per ordinary share

The Net Assets are calculated by deducting the Current Liabilities from the Gross Assets. The 700'000 convertible bonds at a par value of USD 1'000 each, if converted at USD 100 per share would result in 7'000'000 shares.

	31.03.02 USD	31.12.01 USD
Net assets of the company	<b>614'887'491</b>	645'842'078
Outstanding shares at the balance sheet date	<b>10'000</b>	10'000
Additional shares due to conversion	<b>7'000'000</b>	7'000'000
Net assets per share after conversion	<b>87.7158</b>	92.1315

## Notes (continued)

### 13 Basic and diluted surplus / (loss) per share

In relation to the calculation of the diluted value per share the 700'000 convertible bonds at a par value of USD 1'000 each, if converted at USD 100 per share would result in 7'000'000 shares.

	<b>31.03.02</b>	<b>31.12.01</b>
	<b>USD</b>	<b>USD</b>
<b>Basic surplus / (loss) per share</b>		
Surplus / (loss) for the financial period	<b>(38'911'466)</b>	(106'245'765)
Outstanding shares at the balance sheet date	<b>10'000</b>	10'000
Net surplus / (loss) per share	<b>(3'891.1466)</b>	(10'624.5765)
<b>Diluted surplus / (loss) per share</b>		
Surplus / (loss) for the financial period	<b>(38'911'466)</b>	(106'245'765)
Outstanding shares at the balance sheet date	<b>10'000</b>	10'000
Additional shares due upon conversion	<b>7'000'000</b>	7'000'000
Net surplus / (loss) per share after dilution	<b>(5.5509)</b>	(15.1563)

### 14 Contingent Assets

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

### 15 Number of employees

At the balance sheet date the Company had no persons employed.

### 16 Related party transactions

#### **Investment in underlying partnership**

On 30 December 1999, Princess Private Equity Subholding Limited committed CHF 10'720'000 to Partners Private Equity L.P., a partnership administered by Partners Private Equity Management Inc., a subsidiary of Partners Group Holding.

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

On 15 December 2000, Princess Private Equity Subholding Limited committed USD 40'000'000 to Partners Group SPP1 Limited, a special purpose vehicle established to facilitate the participation by various Partners Group mandates in Lexington Hamilton Lane 2000 LLC that purchased 65 limited partnership interests from JP Morgan Partners (formerly Chase Capital Partners).

#### **Affiliated Companies and Controlling Parties**

The following directors are affiliated to companies that are disclosed as related parties within these financial statements

M Giannini	Hamilton Lane
P Gujer	Swiss Reinsurance Company
S Scherling	Swiss Reinsurance Company
U Wietlisbach	Partners Group

GE & W AG, a majority of whose shares are held by the founding partners of Partners Group, and Swiss Reinsurance Company hold 8'010 and 1'090 Class B Shares respectively. Mr Wietlisbach, a Director of Princess Private Equity Holding Limited and a Partner of Partners Group, controls 26.7% of the issued share capital of GE & W AG.



**17 Group enterprises – significant subsidiaries**

	Country of incorporation	Ownership interest	
		31.03.02	31.12.01
Princess Private Equity Subholding Limited	Guernsey	100%	100%

**18 Risks**

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

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

The Group's over-commitment strategy could result in periods in which the Group has inadequate liquidity to fund its investments or to pay other amounts payable by the Group.

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

**19 Parent company and ultimate controlling party**

GE & W AG, a company organised by Swiss law holds the majority of the Class B shares.





## Contacts

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## Investment Manager

### **Princess Management & Insurance Limited**

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Gordon Murphy, General Manager  
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## Investor Relations

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## Auditors

### **PricewaterhouseCoopers**

## Trading Information

Listing	Frankfurt and Luxembourg
German Security Number	313.965
Swiss Security Number	813.917
ISIN Number	XS0098576563
Reuters	DBSTRUK03
Bloomberg	PRINEQ<<Corp>>RELS<go>
Telekurs, Investdata	CH813917

## Market Maker

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