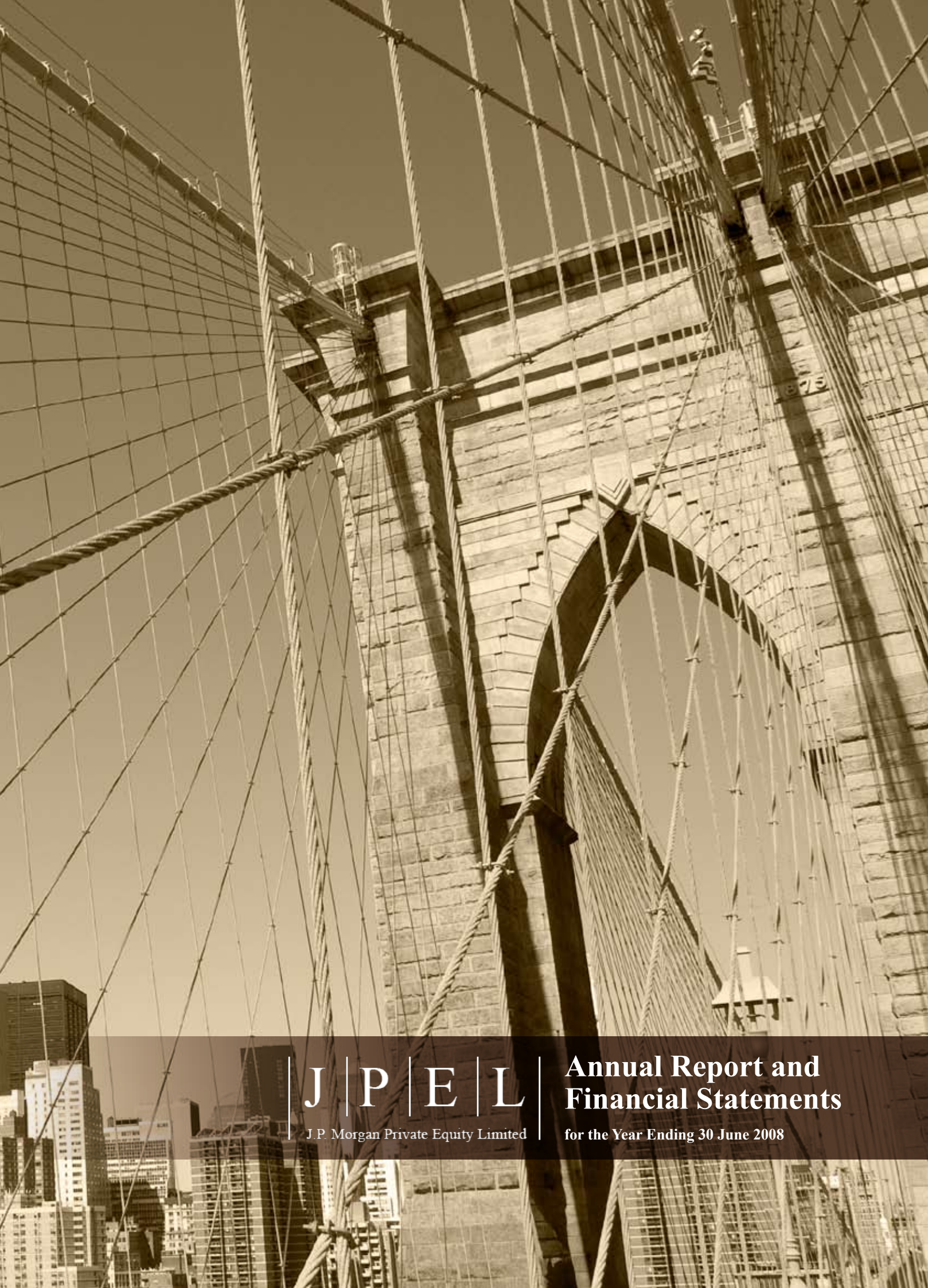

J | P | E | L

J.P. Morgan Private Equity Limited

Annual Report and Financial Statements

for the Year Ending 30 June 2008

J | P | E | L

J.P. Morgan Private Equity Limited

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Financial Highlights

Financial Summary *(Company Information)*

Overview

	30 June 2008	30 June 2007	Change[1]
Equity Shares			
NAV per Share	$1.85	$1.60	15.6%
Share Price	$1.74	$1.51	15.2%
Shares in Issuance	292.6mm	290.0mm	
ZDP Shares			
NAV per Share	51.31p	47.81p	7.3%
Share Price	53.75p	49.25p	9.1%
Shares in Issuance	59.2mm	59.5mm	
Balance Sheet			
Investments at Fair Market Value	$613.3mm	$260.4mm	
Bank Deposits	$25.0mm	$265.0mm	
Net Current Assets[2]	$17.5mm	$260.7mm	
Credit Facility[3]	($27.7mm)	Nil	
Other Liabilities[4]	($8.5mm)	($5.3mm)	
Total Net Asset Value	**$603.2mm**	**$521.2mm**	
Foreign Exchange Rate ($: £)	**$1.9923**	**$2.0088**	

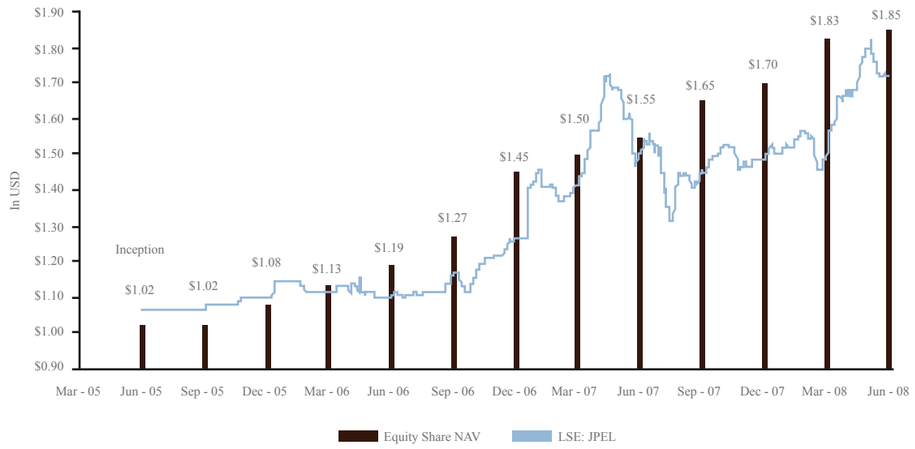
Performance

	Annualized Returns		
	1 Year	2 Year	3 Year
NAV per Equity Share[5]	15.6%	24.6%	21.9%
Ordinary Equity Share Price[6]	15.2%	25.2%	19.5%
LPX Composite[7]	(30.0%)	(4.0%)	2.7%
FTSE 100[8]	(14.8%)	(1.8%)	3.2%
S&P 500[9]	(14.8%)	0.4%	2.4%

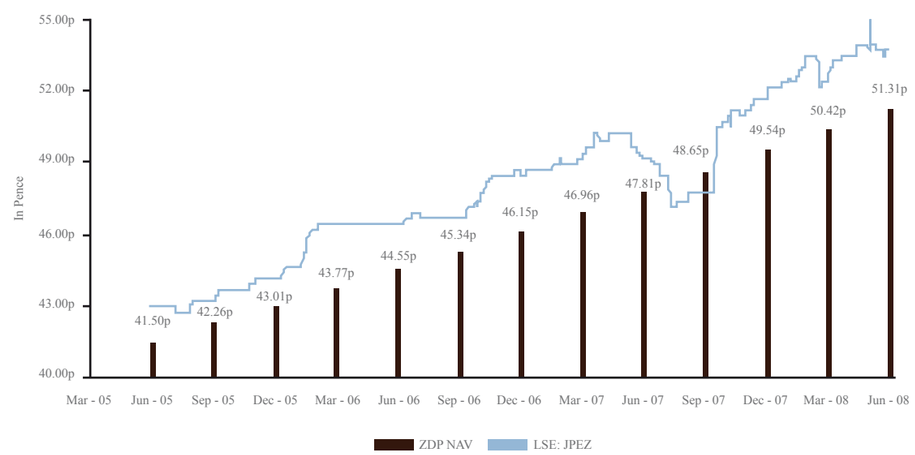
(1) Percent change is not applicable for Shares in Issuance and Balance Sheet items.
(2) Includes accrued performance fees, accounts payable, accrued expenses, and accrued interest income.
(3) On 8 May 2008, J.P. Morgan Private Equity Limited ("JPEL") entered into a $100 million secured credit facility. As at 30 June 2008, JPEL had drawn $30 million on the facility, offset in part by approximately $2.5 million in pre-paid fees and expenses.
(4) Includes fee accruals and other payables.
(5) Source: Manager.
(6) Source: Bloomberg, Manager.
(7) Source: www.lpx.ch, Manager. The LPX® Composite is a broad global Listed Private Equity (LPE) index whose number of constituents is unlimited. The index is well diversified across regions and LPE investment styles and represents the development of all LPE companies covered by LPX that fulfill certain liquidity constraints. The index is used for comparison purposes only. It should not be assumed that the portfolio will invest in any specific stocks that comprise the index.
(8) Source: Bloomberg, Manager. The FTSE 100 represents an index of the share prices of the 100 largest companies (by market capitalisation) in the UK which is updated throughout the trading day in real time. The index is used for comparison purposes only. It should not be assumed that the portfolio will invest in any specific stocks that comprise the index.
(9) Source: Bloomberg, Manager, S&P 500: The Standard & Poor's 500 Index is comprised of a representative sample of 500 large-cap companies. The index is an unmanaged, market-value weighted index with each stock's weight in the index proportionate to its market value. The index is not subject to any of the fees or expenses to which the portfolio would be subject. It is not possible to invest directly in this index. The index is used for comparison purposes only. It should not be assumed that the portfolio will invest in any specific stocks that comprise the index.

Historical Performance

NAV and Equity Share Development[1][2]



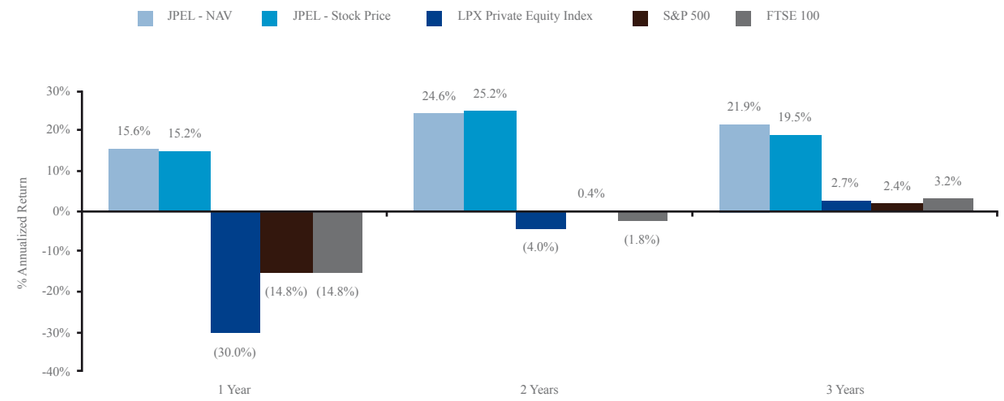
NAV and ZDP Share Development[1]



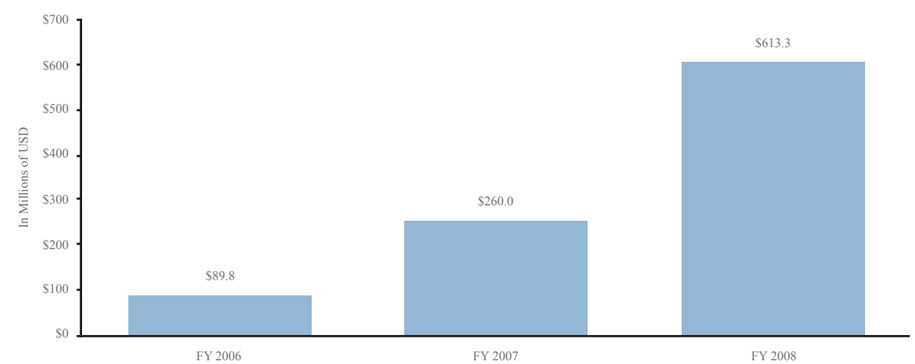
(1) Source: Bloomberg, Manager.
(2) Chart includes unaudited 30 June 2007 NAV of $1.55 per share versus an audited NAV per share of $1.60.

Historical Performance *(Continued)*

Equity Shares vs. Major Indices[1]



Growth of Private Equity Investment Value[2]



(1) Source: Bloomberg, Manager, www.lpx.ch
The LPX® Composite is a broad global Listed Private Equity (LPE) index whose number of constituents is unlimited. The index is well diversified across regions and LPE investment styles and represents the development of all LPE companies covered by LPX that fulfill certain liquidity constraints. The index is used for comparison purposes only. It should not be assumed that the portfolio will invest in any specific stocks that comprise the index.
S&P 500: The Standard & Poor's 500 Index is comprised of a representative sample of 500 large-cap companies. The index is an unmanaged, market-value weighted index with each stock's weight in the index proportionate to its market value. The index is not subject to any of the fees or expenses to which the portfolio would be subject. It is not possible to invest directly in this index. The index is used for comparison purposes only. It should not be assumed that the portfolio will invest in any specific stocks that comprise the index.
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(2) Source: Manager. Net Asset Value for private equity investments only.

Current Portfolio

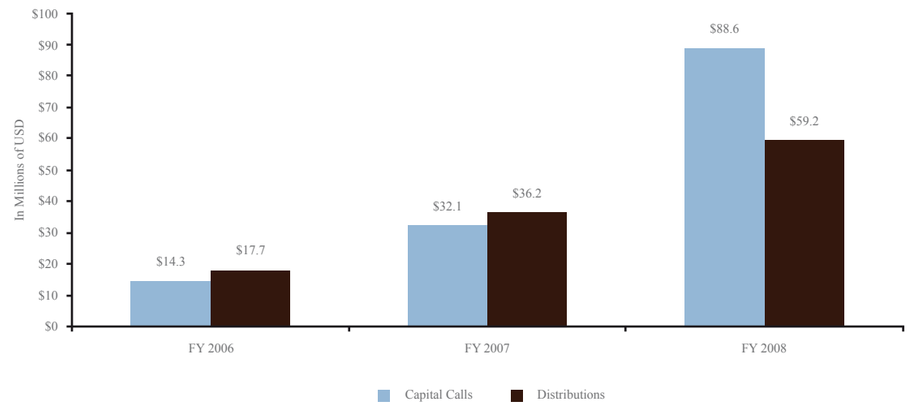
Year End Private Equity Holdings[1][2][3]

	Current Holdings as at 30 June 2008	New Activity Through 30 June 2008	Holdings as at 30 June 2007
Investment Type			
Secondary	145	121	54
Funded Primary	9	6	3
Primary	11	2	9
Co-Investment	7	1	6
Total	**172**	**130**	**72**
Investment Stratergy			
Buyout	94	69	39
Special Situations	34	26	13
Venture Capital	37	33	14
Real Estate	7	2	6
Total	**172**	**130**	**72**
Investment Geography			
Europe	35	10	28
North America	80	54	38
Asia	51	64	2
Other	6	2	4
Total	**172**	**130**	**72**

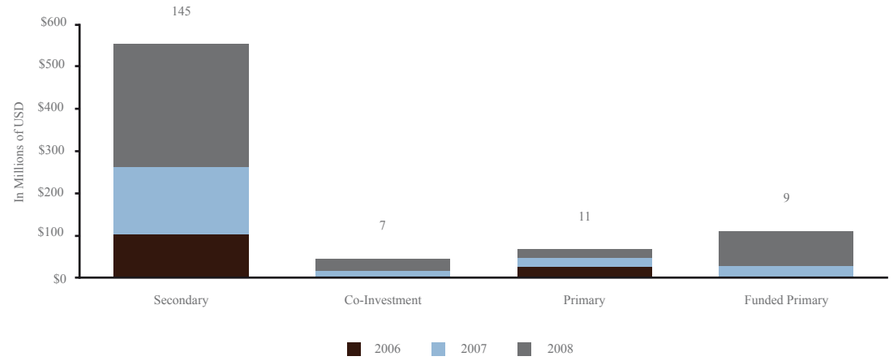
(1) Investments defined as private equity fund interests and co-investments.
(2) New activity is defined as newly acquired interests from 1 July 2007 to 30 June 2008 in private equity investments. May include additional interests in existing partnerships held by JPEL.
(3) Holdings as at 30 June 2007 and New Activity Through 30 June 2008 may not sum to Current Holdings 30 June 2008 as some newly acquired interests in partnerships were duplicitous within the existing JPEL portfolio. Current Holdings as at 30 June 2008 represents unique interests in private equity investments.

Current Portfolio *(Continued)*

Distributions and Capital Calls[1]



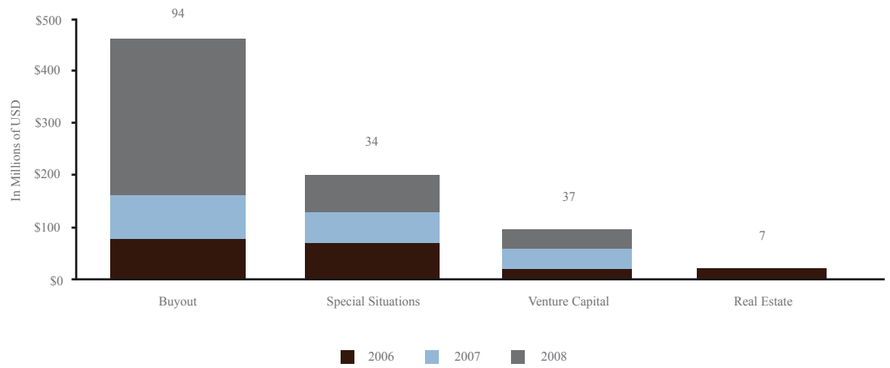
Fund Commitments by Investment Type[2]



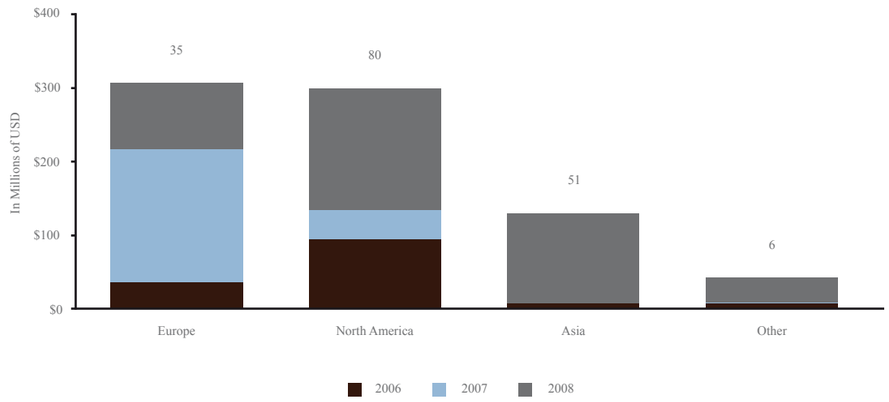
(1) Capital calls and distributions exclude initial investment purchase price.
(2) Based on approximately $779.9 million of total commitments as at 30 June 2008. Numbers represent total fund commitments made in FY2006, FY2007 and FY2008. Includes private equity interests owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. and Macquarie Private Capital Trust.

Current Portfolio *(Continued)*

Fund Commitments by Investment Strategy[1]



Fund Commitments by Geography[1]



(1) Based on approximately $779.9 million of total commitments as at 30 June 2008. Numbers represent total fund commitments made in FY2006, FY2007 and FY2008. Includes private equity interests owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. and Macquarie Private Capital Trust.

Overview

J.P. Morgan Private Equity Limited ("JPEL" or the "Company") is a London Stock Exchange listed investment company (LSE: JPEL) that seeks to invest with the world's leading private equity fund managers. JPEL employs an actively managed, global macro approach to private equity investing. JPEL seeks to: acquire secondary private equity interests; opportunistically co-invest in unique investment opportunities and; make primary commitments with the world's leading private equity fund managers. JPEL invests in private equity partnerships and direct co-investments primarily in Europe, North America, and Asia. The Company's market capitalisation as at 30 June 2008 was $572.6 million.

JPEL pursues the following strategies to meet its investment objectives:

- Acquires secondary portfolios of direct investments, significantly invested partnership investments, and partially drawn commitments, in order to accelerate NAV development
- Opportunistically invests in buyout, venture capital, and other special situations funds and investments throughout the world based on attractive transaction values, advantageous market conditions, and compelling risk-adjusted return potential
- Diversifies its portfolio by manager, industry, geography, investment strategy, and vintage year
- Obtains exposure to individual companies by co-investing alongside private equity sponsors in companies that offer the potential for substantial equity appreciation

JPEL held its initial public offering on 30 June 2005 under the name "Bear Stearns Private Equity Limited", offering two classes of shares: Equity Shares and Zero Dividend Preference Shares ("ZDP Shares"). At 30 June 2008, ZDP Shares made up 10.1% of total capital, and Equity Shares made up the remaining 89.9%.

On 5 September 2008, shareholders of Bear Stearns Private Equity Limited approved the change of the Company's name to J.P. Morgan Private Equity Limited at an Extraordinary General Meeting of Shareholders.

JPEL is managed by Bear Stearns Asset Management Inc. ("BSAM Inc."), a wholly-owned subsidiary of JPMorgan Chase & Co. Following the acquisition of The Bear Stearns Companies Inc. by JPMorgan Chase & Co., the investment management team within BSAM Inc. that has managed the Company since its inception in June 2005, became part of JPMorgan Asset Management. The Company has entered into a Management Agreement with the Manager to invest the assets of the Company on a discretionary basis, subject to the overall supervision of the independent Board of Directors (the "Directors"). The Directors are responsible for the determination of JPEL's investment policy and have overall responsibility for the Company's activities.

JPMorgan Chase & Co. (NYSE: JPM) is a leading financial services firm with assets of $1.6 trillion and operations in over 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity.

Chairman's Statement

Chairman's Statement

Overview

As we observe the Company's third anniversary, I am pleased to report that J.P. Morgan Private Equity Limited has been able to deliver twelve consecutive quarters of positive net asset value ("NAV") growth. The NAV of JPEL's Equity Shares has grown by 81.4% since its inception on 30 June 2005, representing an annualized growth rate of 21.9% per annum.

Key highlights of JPEL's third fiscal year include:

- significant out-performance versus traditional equity and private equity benchmarks,
- allocation of substantial capital to new investments in a market environment favourable for value investing, and
- successful transition by the Company's Manager to a new operating platform within the asset management division of JPMorgan Chase & Co ("JPMorgan").

Despite a very challenging economic environment, during the fiscal year ending 30 June 2008, Equity Share NAV increased 15.6% from $1.60 to $1.85 per share. During this period, JPEL's Equity Share price advanced 15.2%, from $1.51 to $1.74 per share. The NAV of JPEL's Zero Dividend Preference Shares ("ZDP Shares") rose 7.3% during this period, from 47.81p to 51.31p per share. The ZDP Share price has increased 25.0% since inception, closing at 53.75p on 30 June 2008. The Company ended the fiscal year with $603.2 million in net assets attributable to holders of Equity and ZDP Shares.

The stock performance results compare very well with the performance of most major global benchmarks and other publicly traded private equity indices. For instance, the S&P 500 declined 14.8% from 30 June 2007 to 30 June 2008, the FTSE 100 declined 14.8%, while the S&P Listed Private Equity Index declined 31.3%. Notably, JPEL was among the top performing listed private equity vehicles as measured against the LPX® Composite, a leading global listed private equity index, which declined by 30.0% since 30 June 2007. Overall, JPEL's Equity Share price outperformed the LPX® Composite by 45.2 percentage points.

Since the onset of the "credit crunch" beginning in the summer of 2007, I believe that JPEL's Manager has enjoyed a more favourable pricing environment. Following a $309 million capital raise in April of 2007, the Company was able to capitalise on relatively depressed pricing and invested approximately $323.1 million during the fiscal year, representing nearly 52.8% of the JPEL year-end private equity NAV. The fact that such a high percentage of the portfolio has been invested after the credit crunch began should bode well for JPEL's performance in the coming years.

Finally, during the course of the year, JPEL's Manager was itself directly impacted by the turmoil of the credit crisis when The Bear Stearns Companies Inc. was sold to JPMorgan Chase & Co. However, I am pleased to report that the management team that has been responsible for managing the Company since its inception is now part of JPMorgan Asset Management, where they will remain as a distinct team and are positioned to benefit from JPMorgan's world class asset management platform.

Investment Activity

JPEL was very active during the fiscal year 2008 and gained exposure to 129 private equity interests and one new co-investment. As a result, JPEL's private equity NAV increased from $260.0 million to $613.3 million at the end of the period.

Secondary Commitments

For the second consecutive year, the vast majority of investments were made through the secondary market, reflecting JPEL's continued focus on obtaining attractive, seasoned assets at what the Manager believes to be discounts to intrinsic value. During the year, JPEL purchased two larger, well diversified secondary portfolios of private equity funds, as well as six individual private equity interests.

The Company acquired a total of 121 interests in private equity funds via the secondary market, representing approximately $275.4 million of commitments and 67% of capital committed during the period. These investments helped the Company (i) further diversify its portfolio emphasizing Asian/Australian and European assets, and (ii) acquire opportunistic, value-oriented investments with near-term upside potential.

"…JPEL's Equity Share price outperformed the LPX® Composite by 45.2 percentage points."

JPEL's most notable secondary purchase was its acquisition of Macquarie Private Capital Group, an Australian Stock Exchange listed private equity fund of funds, in an all-cash, take-private transaction valued at approximately A$106.5 million. Through this transaction alone, JPEL acquired 65 distinct private equity interests. These investments were well funded at the time of purchase and are consistent with JPEL's focus on the geographic diversification of its private equity portfolio.

Funded Primary and Primary Commitments

JPEL committed a total of $107.1 million to eight new primary funds. Consistent with the Company's strategy of investing in seasoned assets, six of these primary fund commitments were "funded primary" investments with significant amounts of capital already drawn. Overall, these six funds were approximately 35% funded at the time of JPEL's commitment.

Co-Investments

JPEL completed one co-investment during the year and participated in two small follow-on investments in existing co-investments within JPEL's portfolio. As at 30 June 2008, JPEL's co-investments represented approximately 10% of the Company's private equity NAV.

Chairman's Statement *(continued)*

Capital Calls and Distributions

Due to both the Company's rapid investment pace and the slow down in the capital markets, JPEL's capital calls outweighed distributions in fiscal year 2008. For the period ended 30 June 2008, JPEL's private equity portfolio generated $88.6 million of capital calls versus distributions of $59.2 million.

Corporate Actions

The Company amended its redemption facility in November 2007 to allow for a half yearly tender facility, for up to 15% of outstanding shares. In accordance with this policy, on 10 August 2007 JPEL redeemed 3,597,890 Equity Shares and 3,375 ZDP Shares at the estimated 30 June 2007 NAV of $1.55 per share and 47.81p per share, respectively. On 29 January 2008, the Company purchased by way of tender an additional 25,025,860 Equity Shares at the 31 December 2007 NAV of $1.70 per share and 274,822 ZDP Shares at the 31 December 2007 NAV of 49.54p per share. Additionally, with approval from the Board of Directors, JPEL enacted a share buyback program from 17 August 2007 through 24 August 2007 and cancelled 1,130,000 equity shares at a total cost of approximately $1.6 million. As at 30 June 2008, there were 292,651,379 Equity Shares and 59,196,837 ZDP Shares outstanding.

"On 5 September 2008… the Company's shareholders approved the proposed name change to J.P. Morgan Private Equity Limited."

The Company announced its intention to raise capital on 11 March 2008, but later determined to postpone the fundraise pending the completion of the JPMorgan Chase & Co. acquisition of The Bear Stearns Companies Inc. Despite the postponement of the offering, JPEL was able to satisfy immediate investor demand through the sale of Equity Shares held in treasury as well as through an additional issuance of shares. On 7 and 11 April 2008, JPEL sold 17,847,750 and 5,780,346 Equity Shares to new investors at $1.72 and $1.73 per share, respectively. JPEL raised approximately $15.3 million on 2 May 2008 through an additional issuance of 8,743,857 Equity Shares for cash at an issue price of $1.75 per share, these shares rank pari passu with the existing Equity Shares in issue.

On 8 May 2008, JPEL entered into a $100 million secured credit facility. The Company intends to draw under the facility in order to take advantage of attractive investment opportunities created by the dislocation of the global markets.

On 5 June 2008, JPEL announced that the management team, that has been responsible for managing the Company since its initial public offering in 2005, had become part of JPMorgan Asset Management immediately following the acquisition of The Bear Stearns Companies Inc. by JPMorgan Chase & Co. on 31 May 2008.

On 5 September 2008, at an Extraordinary General Meeting, the Company's shareholders approved the proposed name change to J.P. Morgan Private Equity Limited to reflect the Manager's new association with JPMorgan Chase & Co. The Company's name change was subsequently approved by the Guernsey Registry. The Company's ticker symbol on the London Stock Exchange was changed to LSE: JPEL for equity shares and LSE: JPEZ for ZDP shares.

JPEL's website address has also changed to reflect the Company's new name and can be accessed at www.jpelonline.com or www.jpelonline.co.uk. The URLs for www.bspel.com and www.bspel.co.uk will redirect to the newly branded JPEL websites.

Outlook

The last twelve months have been very challenging for the global capital markets as well as for the private equity markets. Access to cheap financing and unprecedented economic prosperity that fuelled the growth of the private equity industry over the past few years is gone for the foreseeable future. Global uncertainty combined with a potential worldwide slowdown make for a cautious outlook for the remainder of 2008.

However, I believe that the Company has constructed a well-diversified portfolio that will weather the current market conditions and, ultimately, benefit from the market turmoil. The Company stands poised to capitalise on several market trends:

- **Increasing Secondary Deal Flow.** Liquidity concerns and the active rebalancing of private equity portfolios by institutional investors will give rise to a more mature private equity secondary market. As an established player in the secondary market, JPEL should benefit from a strong pipeline of deals at increasingly attractive prices.
- **Distressed and Special Situations Exposure.** JPEL has continued to emphasize strategies that are designed to benefit from illiquid, contracting markets. The Company has increased investments in turnaround/distressed and mezzanine strategies (collectively, "special situations"), avoided new commitments to "mega-buyout" funds and decreased its exposure to real estate investments. Therefore, portions of the portfolio may benefit from the credit crisis and resulting correction in the capital markets.
- **Global Diversification.** The Company has constructed a globally diversified portfolio. Over the last two years, the Company increased its allocation to Europe and Asia/Australia in order to lessen its exposure to a weakening US economy and position itself to capitalise on the growth of expanding economies.

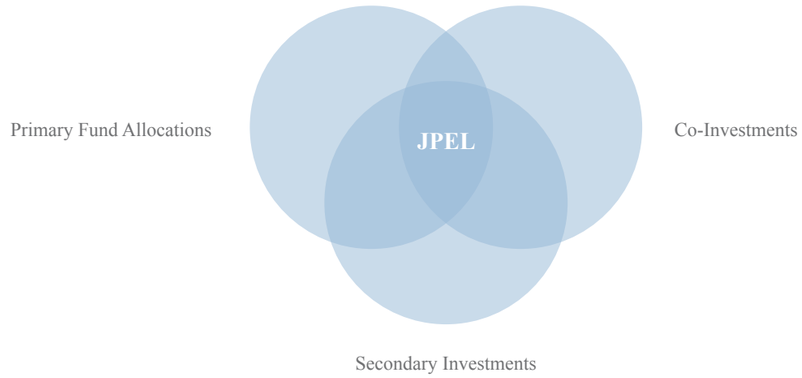
Since its inception three years ago, JPEL has undertaken a value approach to its investment strategy, attempting to avoid the parts of the private equity market that witnessed extreme valuations. Instead, it has focused on industries, strategies and geographic locales capable of producing positive returns in the current market. JPEL will continue to deploy capital in a similar value oriented manner and I remain optimistic for another three years of consistent, risk-adjusted returns to shareholders.

Trevor Ash
Chairman
6 October 2008

Investment Strategy

Investment Objective

JPEL seeks to create a portfolio of selective private equity assets that provides shareholders with intermediate and long-term capital growth as well as compelling risk-adjusted returns. JPEL pursues this strategy by acquiring seasoned assets that will generate significant near-term return of capital and are priced at discounts to intrinsic value.



Secondary Investments: The vast majority of JPEL's investments are acquired through the secondary market, where the Company is able to purchase existing limited partnership interests with mature assets. Secondary investing permits JPEL to quickly deploy capital into seasoned private equity assets and often leads to an accelerated pace of distributions and net asset value growth.

Primary Commitments: On a more limited basis, JPEL makes primary commitments to high quality fund managers with proven capabilities and strong track records. Typically, the Manger focuses on "funded primary" investments where significant amounts of capital have already been drawn down at the time of JPEL's investment and there is visibility into the portfolio's underlying assets. Primary investments are often made in conjunction with either a secondary transaction or with a co-investment opportunity, a "stapled transaction".

Co-Investments: Additionally, JPEL will co-invest on a selective basis in individual companies alongside proven fund managers. Co-investments are direct investments in companies, wherein the fund manager allows JPEL to invest on a no-fee or limited fee basis. This permits JPEL to select attractive opportunities to potentially generate higher returns than otherwise obtained through exposure to either primary or secondary investments.

Manager's Review

Market Overview

The landscape of the private equity industry has dramatically changed over the last twelve months. After three record-breaking years in the financial markets defined by unprecedented leverage and liquidity levels, the onset of the credit crunch in the summer of 2007 caused lending to dry up and brought new private equity deal activity to a virtual stand-still. As a result of these changes, many limited partners in the private equity industry have shifted their allocation strategies. Instead of focusing primarily on the global mega-buyout funds, allocations have shifted to perceived "safe havens" including: mezzanine debt, distressed style funds, lower-middle market, de-emphasized the United States and focused on secondary purchases of private equity interests.

JPEL has been ahead of the curve on this shift in limited partner sentiment. Given the Manager's concern about certain segments of the private equity market, as early as 2006, JPEL has made significant changes in its allocations. As this section will show, in detail, JPEL has avoided real estate, avoided the larger end of the buyout market as well as avoided most investment strategies within the US. the Company has actively increased its exposure to special situations funds and focused on European and Asian fund managers over the last few years.

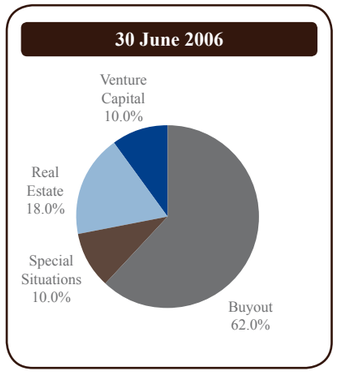
Investment Strategy

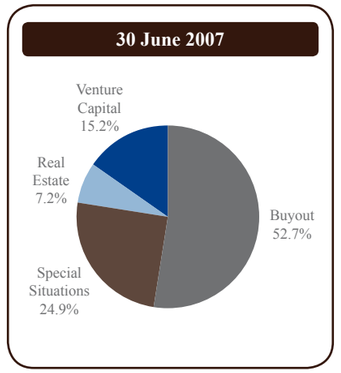
Whereas mega-buyout funds characterised the peak of the private equity boom over the past year, debt related strategies, including distressed debt and mezzanine investments ("special situations"), have become increasingly popular as investors seek to benefit from dislocations in the credit markets.

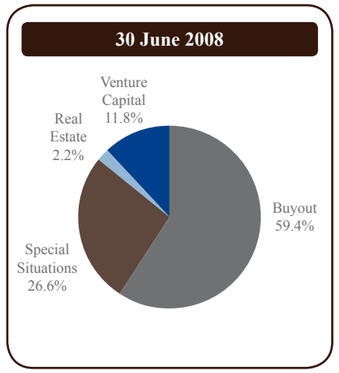
Dislocations in the credit markets have resulted in improved terms and pricing for mezzanine investors. The increase of mezzanine lending over the last year, particularly for mid-sized and smaller transactions, prompted a record breaking period of fund raising for mezzanine related strategies. Distressed debt managers are also benefiting from the current market environment, as the weakening economic outlook and rising corporate default rates have resulted in new investment opportunities. According to Preqin Private Equity Spotlight, September 2008, distressed and debt related funds raised a total of $33 billion in the first half of 2008, which represents a 28% increase over the same period a year earlier.

In fiscal year 2008, JPEL committed approximately $72 million to special situations funds. JPEL's exposure to special situations funds, as a percentage of private equity NAV, has increased from 0% at the inception of the fund to 10.0% at 30 June 2006 to 26.6% as at 30 June 2008. JPEL has reduced its exposure to real estate from 18.0% as at 30 June 2006 to 2.2% of private equity NAV as at 30 June 2008.

JPEL Portfolio – Investment Strategy[1]







(1) The diversification charts above are based on Net Asset Value and use underlying fund-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

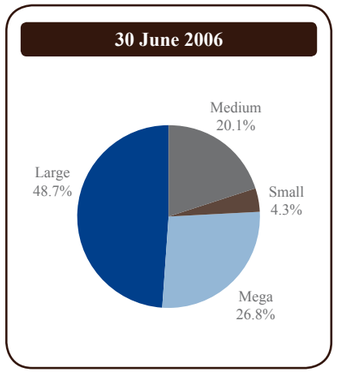
Market Overview *(Continued)*

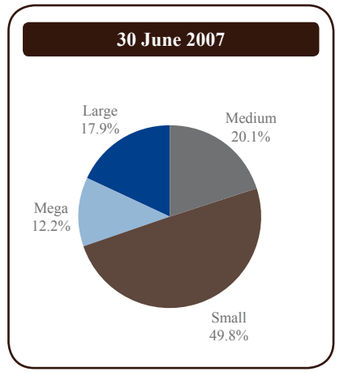
Buyout Environment

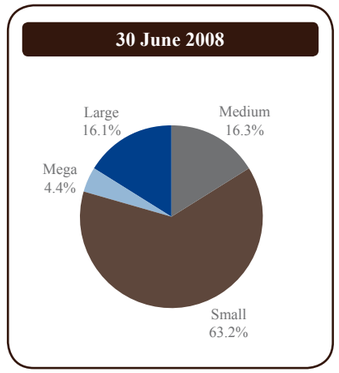
During the peak of the "buyout boom," deals were completed at somewhat inflated prices with favourable debt. Tighter credit conditions have made it more difficult for private equity firms to finance large, "mega" buyout deals as debt buyers diminish and banks are no longer able to syndicate the debt necessary to finance such large scale transactions. As a result, the marketplace has shifted towards the lower to middle-market bracket of the buyout sector where deals can be completed at more reasonable prices with less leverage. The lower to middle-market bracket is more dependent on mezzanine lenders, including specialty finance companies and middle-market commercial banks, many of whom have not been disrupted by the sub-prime crisis.

To avoid paying high multiples for large, "mega" deals at the top of the market, JPEL has de-emphasized large buyout funds and focused on investing in private equity funds that concentrate on the lower end of the buyout market. JPEL's exposure to mega-buyout funds has decreased from 26.8% as at 30 June 2006 to 4.4% of private equity NAV as at 30 June 2008. Additionally, JPEL has reduced its exposure to large buyout funds from 48.7% of private equity NAV as at 30 June 2006 to 16.1% as at 30 June 2008.

JPEL Portfolio – Buyout Funds by Size[1][2]







Geography

While the current liquidity crisis is being felt around the globe, market uncertainty has been most pronounced in the US. Difficulties in the housing market and failing financial institutions have put the US economy in distress. The economic strain has been deeply felt by the private equity industry. According to Callan Investments Institute, the transaction value of buyout sponsored acquisitions fell 55.3% to $46 billion in the first half of 2008.

Europe was initially slower to experience the impact of the credit crunch, but as contraction in the US economy prolongs, the knock-on effects are now being felt across the Atlantic. While deal volume is only down 9.0% versus the first half of 2007, transaction value has dropped more than 53.0% to €57 billion for the same period according to Unquote's Private Equity Barometer.

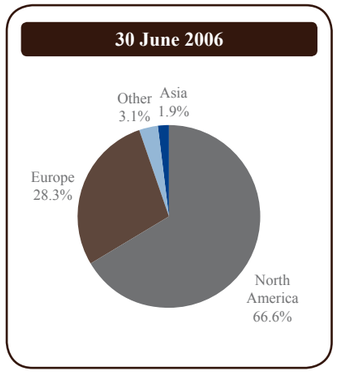
With fewer ties to the US, Asian economies have fared better in the wake of the global credit crisis but will not be immune to global market conditions. The private equity industry remains more resilient in Asia compared to Western economies, since Asian private equity investments typically involve lower levels of leverage than in the US or Europe. Although new investments in Asia have decreased 22.7% to $32.4 billion in the first half of 2008, this is markedly more modest than the 55.3% and 53.0% decreases seen in the US and Europe, respectively.

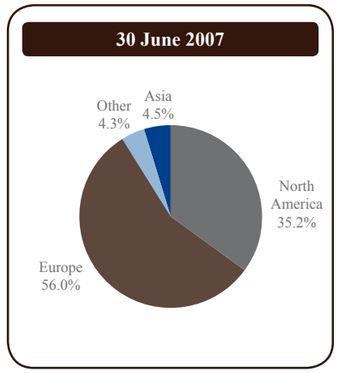
(1) The diversification charts above are based on Net Asset Value and use underlying fund-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.
(2) Funds classifications based on total fund commitments: Small: $0 - $500 million; Medium: $500 - $2,000 million; Large: $2,000 million - $5,000 million; Mega: over $5,000 million. Excludes co-investments.

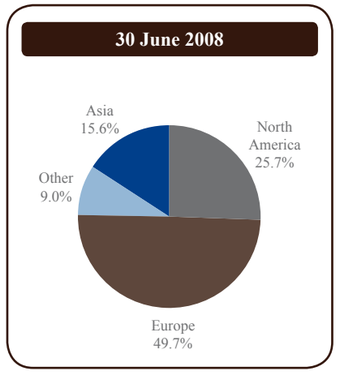
Market Overview *(Continued)*

Over the past year, JPEL continued to diversify its portfolio away from the US, and in an effort to create a more balanced, diversified exposure, JPEL has placed an emphasis on increasing its commitment to Asian private equity investments. JPEL's exposure to North American private equity investments decreased from 66.6% as at 30 June 2006 to 25.7% of private equity NAV as at 30 June 2008. Additionally, JPEL has increased its exposure to European and Asian fund managers, with the regions representing 28.3% and 1.9% of private equity NAV as at 30 June 2006 to 49.7% and 15.6%, respectively.

JPEL Portfolio – Geographic Diversification[1]







Conclusion

The past twelve months have witnessed a challenging investment environment and uncertainty relating to the financial markets is likely to continue in the near-term. However, the Manager believes that the private equity marketplace is experiencing a correction, rather than a crisis. Historically, the industry has buoyed in times of economic distress, viewing a downturn in the economy as the opportune buying time. By maintaining a value-oriented, global macro approach to investing, JPEL's portfolio has shifted with the marketplace and is currently focused on non-US, small to mid-market buyout strategies as well as special situations funds. The Company's portfolio is relatively well positioned to withstand and potentially benefit from dislocations in the current market environment.

(1) The diversification charts above are based on Net Asset Value and use underlying company-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

2008 Investment Activity

In its third fiscal year, JPEL deployed the majority of new capital raised and more than doubled its private equity NAV. Approximately $324.1 million or 52.9% of the Company's private equity NAV was entered into after the "credit crunch" began in the summer of 2007. During the fiscal year, the Company committed approximately $409.8 million into a variety of investment strategies, sectors and geographies; totaling 130 new investments through 18 separate transactions.

In fiscal year 2008, JPEL continued to diversify its portfolio away from the US as approximately 67.5% of JPEL's 2008 investments by NAV were directed to non-US funds. Europe and Asia represented 28.4% and 25.7% of investments by NAV, respectively.

Secondary Investments

The onset of the liquidity crisis in the second half of 2007, helped create an attractive secondary investment environment. Similar to years passed, the majority of JPEL's capital was deployed via the private equity secondary market. For the period, the Company completed several secondary transactions making commitments of approximately $275.4 million, or 67.2% of total capital committed.

The company acquired two portfolios of private equity funds, as well as six individual private equity interests through the secondary market. JPEL's largest transaction in fiscal year 2008 was the all-cash, take-private acquisition of Macquarie Private Capital Group, an Australian Stock Exchange-listed private equity fund. In this transaction alone, JPEL gained exposure to 65 unique funds and co-investments and over 300 underlying portfolio companies . Additionally, JPEL acquired a highly invested portfolio of 14 private equity funds, including 11 special situation funds, 2 buyout funds, and 1 venture capital fund. The portfolio's emphasis on distressed and turnaround funds helped better position JPEL to benefit from macro shifts in the global economy.

JPEL completed several additional secondary purchases across multiple geographic regions and vintage years. In the US, JPEL's investments included Leeds Equity Partners IV, L.P., Bear Stearns Private Opportunity Ventures, L.P. (a portfolio of 20 interests), and Liberty Partners II, L.P. In Europe, JPEL increased its position in Esprit Capital I Fund, L.P., and acquired an interest in Montagu III, L.P. JPEL also purchased an interest in Global Opportunistic Fund, L.P., a buyout fund focused on countries in the Middle East.

"During the fiscal year, the Company committed approximately $409.8 million… [in] 130 new investments through 18 separate transactions."

Primary Investments

JPEL also made several allocations to primary funds, focusing on funded primary transactions where commitments were already partially drawn at the time of investment. In fiscal year 2008, JPEL committed $83.5 million to funded primary investments, and an additional $23.6 million to primary funds.

In the US, JPEL acquired interests in three partially funded primary investments, AIG Highstar Capital III Prism Fund, L.P., Gridiron Capital Fund, L.P., and Guggenheim Aviation Offshore Investment Fund II, L.P. JPEL also committed capital to two funded primary investments in Asia, Olympus Capital Asia III, L.P. and Hupomone Capital Fund, L.P. Within Europe, JPEL committed capital to Realza Capital Fondo FCR and Norvestor V, L.P. JPEL's investment in Global Buyout Fund, L.P. was part of a stapled transaction, which involved a secondary investment into a separate fund managed by the same investment team, focused on countries in the Middle East.

Co-Investments

In fiscal year 2008, JPEL acquired a secondary co-investment interest in one of Germany's largest cable companies that provides television, high speed internet, and telephony products. The acquisition was completed through a holding vehicle named Hunter Acquisition Limited. Additionally, JPEL made two small follow-on investments in existing co-investments.

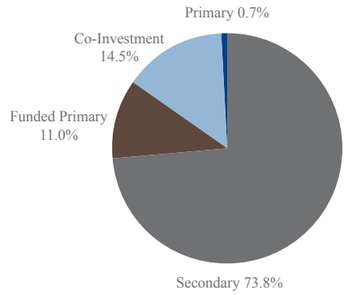
(1) The Macquarie Private Capital Group ("MPCG") portfolio was comprised of multiple portfolios of funds. Some interests in partnerships were duplicitous within the MPCG portfolio. In total the MPCG portfolio contains 65 unique private equity investments.

2008 Investment Activity *(Continued)*

Summary of Investment Activity

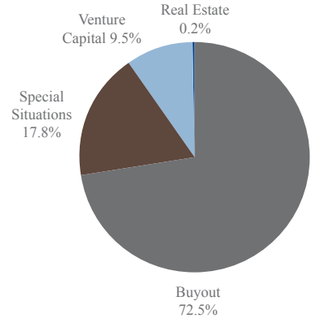
In 2008, JPEL focused its investment activity on acquiring seasoned assets at attractive valuations that would broaden the fund's geographic, strategic and vintage year diversity. JPEL increased its allocation to buyout funds focused on the lower to middle market, special situations, as well as non-US funds. In 2009, the Manager intends to continue to apply this investment strategy to further enhance shareholder value.

2008 Activity by Investment Type Fund Level[1]



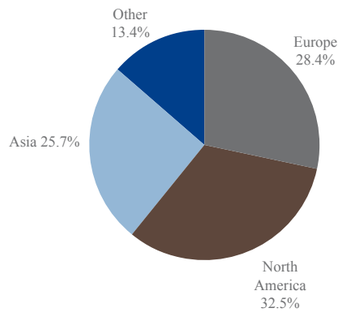
	Number of Investments	% of FY 2008 Commitments
Secondary	121	67.2%
Funded Primary	6	20.3%
Primary	2	5.8%
Co-Investment	1	6.7%
	130	

2008 Activity by Investment Strategy Fund Level[1]



	Number of Investments	% of FY 2008 Commitments
Buyout	69	73.2%
Special Situations	26	17.6%
Venture Capital	33	9.1%
Real Estate	2	0.1%
	130	

2008 Activity by Geography Fund Level[1]



	Number of Investments	% of FY 2008 Commitments
Europe	10	21.8%
North America	54	40.2%
Asia	64	30.0%
Other	2	8.0%
	130	

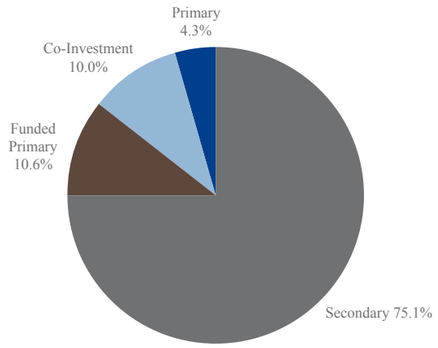
(1) Pie charts are based on Net Asset Value and use underlying fund-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

Portfolio Review

In 2008, JPEL produced its third consecutive year of positive results, generating a 15.6% return for the year and 81.4% return for Equity Share NAV since its inception on 30 June 2005. The NAV of JPEL's ZDP Share has increased 7.3% over the year and 23.6% since inception.

JPEL's well diversified portfolio has helped the Company produce 12 consecutive quarters of positive returns and has also helped insulate it from recent market turbulence. The charts below illustrate JPEL's diversification based on private equity NAV.

Investment Type Fund Level[1]

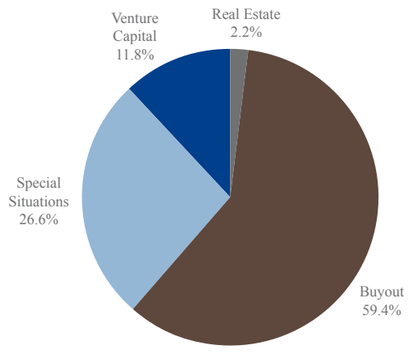


Consistent with its investment strategy, the majority of JPEL's portfolio was acquired via the secondary market, where the manager is able to purchase seasoned assets. Investments that are partially or fully funded at the time of purchase tend to produce distributions more quickly and result in NAV growth, increasing cash returned to private equity investors early in the life of the investment, and thereby mitigating the "J-Curve".

As at 30 June 2008, 75.1%, or approximately $459.5 million of private equity NAV was invested through secondary purchases of private equity funds. These investments included lower to mid-market buyout funds, special situations funds, venture funds and traditional leveraged buyout funds.

Co-investments accounted for 10.0% of private equity NAV, while funded primaries and primary fund investments accounted for 10.6% and 4.3% of private equity NAV, respectively.

Investment Strategy Fund Level[1]



The Manager monitors and adjusts the composition of the portfolio's investment strategy based on a combination of market indicators and current deal flow.

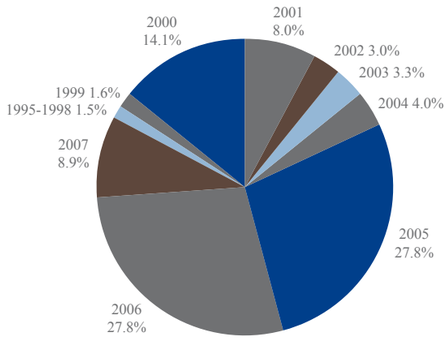
Currently, the portfolio is focused on the small to mid-cap end of the buyout sector as well as special situation funds. The Manager intends to continue to concentrate primarily on these strategies.

Buyouts represented 59.4% of private equity NAV, a small increase from 52.7% in fiscal year 2007. The Company's allocation to Special Situations funds also increased slightly to 26.6% in 2008, from 24.9% in 2007. JPEL's investments in real estate and venture capital funds declined from fiscal year 2007, representing 2.2% and 11.8% of private equity NAV, respectively.

(1) Based on Net Asset Value and use underlying fund-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

Portfolio Review *(Continued)*

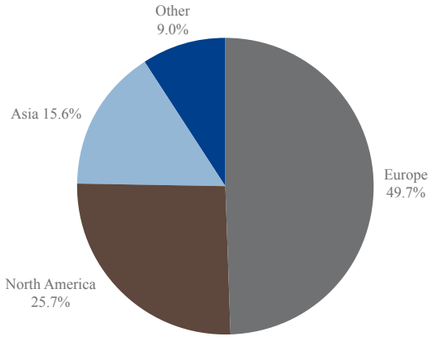
Vintage Year Fund Level[1]



The Manager also considers vintage year diversification when allocating capital.

A diverse portfolio of vintage years affords JPEL more steady cash flows and consistent NAV development; as some funds are in the investment phase while others are exiting their portfolio. In addition, vintage year diversification reduces the impact of any vintage year-specific issues that may impede performance.

Geographic Footprint Company Level[2]



JPEL has constructed a globally diverse portfolio, with underlying portfolio investments primarily throughout Europe, Asia, and North America. Over the last two years, the Company increased its allocation to Europe and Asia/Australia in order to lessen its exposure to a weakening US economy and position itself to capitalise on the growth of expanding economies.

JPEL's European portfolio contains investments that are well-diversified throughout the continent, with investments in over 15 countries. With a continued emphasis on expanding into Asia, the region now represents 15.6% of the private equity NAV portfolio as at 30 June 2008, up from 4.5% in June 2007. Much of this increase in private equity NAV in Asia is a direct result of JPEL's acquisition of Macquarie Private Capital Group.

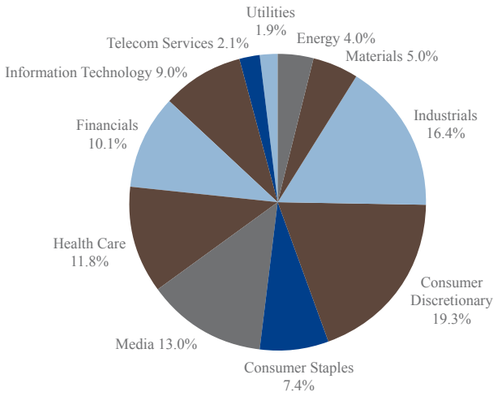
The Manager will continue to invest in Europe and Asia, as well as increasing commitments to other parts of the world.

(1) Based on Net Asset Value and use underlying fund-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

(2) Based on Net Asset Value and use underlying company level values. In addition they include companies in private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

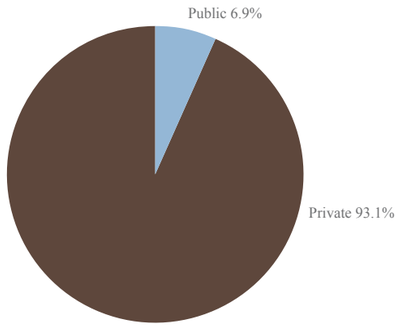
Portfolio Review *(Continued)*

Industry Composition Company Level[1]



JPEL seeks to gain exposure to multiple industries to minimize affects of sector specific downturns while maintaining the ability to capitalise on favourable economic conditions in specific sectors.
As at 30 June 2008, the portfolio contained over 1,500 underlying companies with no one sector representing more than 20% of the fund's portfolio. Consumer discretionary, industrials and media represented the top three sectors by investment concentration.

Public Market Exposure Company Level[1]



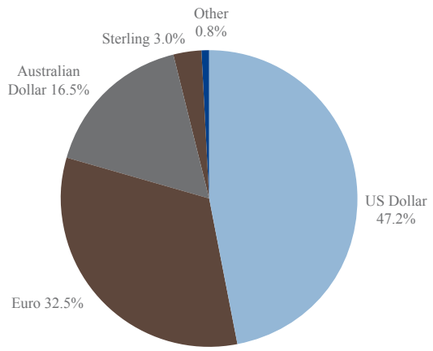
JPEL's exposure to the public markets is primarily derived from indirect and direct investments in private companies that are subsequently taken public.
In 2008, 6.9% of JPEL's portfolio had exposure to the public markets, down from 11.8% the previous year.

(1) Based on Net Asset Value and use underlying company level values. In addition they include companies in private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust

Currency Exposure

For the year ended 30 June 2008, the US Dollar declined significantly against most major currencies with the exception of the British Pound. Notably, during the fiscal year, the US Dollar declined over 16% against the Euro. In its third year, the Company took a slightly more active approach to currency management than in previous years and periodically hedged the portfolio's exposure to foreign currencies.
The Manager continues to monitor JPEL's exposure to foreign currencies, and takes currency exposure into consideration when selecting investments. The balance of JPEL's US Dollar denominated assets and cash holdings may change as the Company continues to pursue an investment policy focused on geographical diversity.

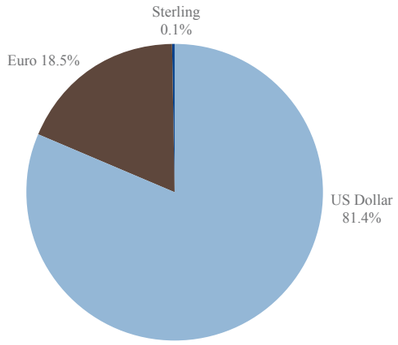
Currency Composition Fund Level[1]



Portfolio Composition

JPEL had a total private equity portfolio value of US$613.3 million at the end of the period. Investments held in US Dollars made up less than half of this value. As a result of the acquisition of the Macquarie Private Capital Group portfolio, approximately 16.5% of the private equity portfolio was held in Australian Dollars.
The Manager will continue to pursue investments that will likely enhance currency denomination diversification and reduce overall exposure risk.

Cash Account Holdings As at 30 June 3008



Cash Balances

JPEL ended the period with total cash balances of US$24.9 million. In order to purchase the MPCG portfolio, much of JPEL's cash was converted to Australian Dollars and immediately deployed to execute the transaction. As a result, the cash balances at the end of the period were heavily weighted toward the US Dollar.

(1) Based on Net Asset Value and use underlying fund-level values. In addition, they include private equity fund interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

Top 20 Funds & Companies Information

Top 20 Funds[1][2]

	Fund	Region	Fund Strategy	% of Total NAV
1	Global Opportunistic Fund	Other	Buyout	5.83%
2	Alcentra Euro Mezzanine No1 Fund LP	Europe	Special Situations	3.55%
3	OCM European Principal Opportunities Fund, L.P.	Europe	Buyout	3.36%
4	Liberty Partners II, L.P.	North America	Buyout	3.26%
5	Avista Capital Partners (Offshore), L.P.	North America	Buyout	3.24%
6	Omega Fund III, L.P.	Europe	Venture Capital	3.22%
7	Hutton Collins Capital Partners II LP	Europe	Special Situations	3.16%
8	Esprit Capital I Fund	Europe	Venture Capital	3.03%
9	Almack Mezzanine I Fund LP	Europe	Special Situations	2.74%
10	Alto I/ Development Capital I S.C.A.	Europe	Buyout	2.49%
11	Macquarie Wholesale Co-investment Fund	Asia	Buyout	2.42%
12	Argan Capital Fund	Europe	Buyout	2.21%
13	AIG Highstar Capital III Prism Fund, L.P.	North America	Buyout	1.74%
14	Catalyst Buyout Fund 1	Asia	Buyout	1.67%
15	Strategic Value Global Opportunities Master Fund, LP	North America	Special Situations	1.61%
16	Macquarie European Infrastructure Fund	Europe	Buyout	1.48%
17	GSC European Mezzanine Fund II LP	Europe	Special Situations	1.46%
18	Leeds Equity Partners IV, LP	North America	Buyout	1.35%
19	AIG MezzVest II LP	Europe	Special Situations	1.31%
20	Clearwater Capital Partners Fund I, L.P.	Asia	Special Situations	1.30%

Top 20 Companies[1][2]

	Company	Country	Industry	% of Total NAV
1	Hunter Acquisition Limited	Germany	Media	7.68%
2	Metalcastello	Italy	Industrials	1.63%
3	Sara Lee Meats Europe	United Kingdom	Consumer Staples	0.88%
4	Stock Spirits Group Ltd	Poland	Consumer Staples	0.80%
5	CPC Rocket Dog	United States	Consumer Discretionary	0.75%
6	Pacific Apparel Solutions	Australia	Consumer Discretionary	0.71%
7	Kinan Real Estate/Modern Marafiq for Real Estate Development Co.	Saudi Arabia	Financials	0.70%
8	Nordenia	Germany	Materials	0.69%
9	Ajlan & Brothers Company 1	Saudi Arabia	Consumer Discretionary	0.66%
10	Guggenheim Aviation Fund II, LP	United States	Financials	0.66%
11	Perfiliate	United Kingdom	Information Technology	0.65%
12	Hortex Holding S.A.	Poland	Consumer Staples	0.64%
13	Nycomed	Denmark	Consumer Staples	0.64%
14	R & R Ice Cream	United Kingdom	Consumer Staples	0.64%
15	Aperio Group	Australia	Industrials	0.63%
16	Gulf Healthcare International/Medical Solutions FZ LLC	UAE	Health Care	0.61%
17	Metro GlassTech	New Zealand	Industrials	0.59%
18	Education Management Corporation	United States	Consumer Discretionary	0.56%
19	SCAN Geophysical AS	Norway	Energy	0.56%
20	Healthcare at Home	United Kingdom	Health Care	0.55%

(1) Top 20 Funds and Top 20 Companies include underlying funds and companies indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust
(2) Percentages are calculated based on 30 June 2008 total NAV attributable to Equity and ZDP shareholders.

Top 10 Investments[1]

1 Hunter Acquisition Limited

Fund Name	Hunter Acquisition Limited
Geographic Focus	Europe
Investment Type	Secondary
Current NAV	$47.0 mm
% of NAV	7.68%
Investment Strategy	Co-Investment
Industry Focus	Media

Hunter Acquisition Limited is a holding vehicle for JPEL's co-investment interest in one of Germany's largest cable companies that provides television, high speed internet, and telephony products.

2 Global Opportunistic Fund

Fund Name	Global Opportunistic Fund
Geographic Focus	Middle East and North Africa
Investment Type	Secondary
Current NAV	$35.7 mm
% of NAV	5.83%
Investment Strategy	Buyout
Industry Focus	Generalist

Global Opportunistic Fund invests in management buyouts and public to private transactions in the Middle East and North Africa region.

3 Alcentra

Fund Name	Alcentra Euro Mezzanine No1 Fund LP
Geographic Focus	Europe
Investment Type	Secondary
Current NAV	$21.8 mm
% of NAV	3.55%
Investment Strategy	Special Situations
Industry Focus	Generalist

Alcentra Euro Mezzanine No 1 Fund LP ("Alcentra") focuses on pan-European senior and junior mezzanine debt, as well as PIK instruments. Alcentra makes the majority of its investments in sponsored leveraged buyouts, but may invest in non-sponsored investments. It seeks opportunities in cash generative businesses with enterprise values of more an €75 million.

4 Oaktree Capital Management

Fund Name	OCM European Principal Opportunities Fund, L.P.
Geographic Focus	Europe
Investment Type	Funded Primary
Current NAV	$20.5 mm
% of NAV	3.36%
Investment Strategy	Special Situations
Industry Focus	Generalist

OCM European Principal Opportunities ("OCM"), sponsored by Oaktree Capital Management, invests in marketable securities and private investment partnerships, including distressed debt, real estate, mezzanine, emerging markets equities and bonds. OCM combines traditional private equity and distressed-to-control investing.

(1) Top 10 Investments include fund investments and direct investments, by size. Also includes interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust. Respective fund NAVs are based on information provided to Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P., and Macquarie Private Capital Trust by each underlying fund sponsor. Sponsor NAVs include an allocation of cash held at the fund of fund level, based on percentage of underlying fund NAV.

Top 10 Investments[1]

5 Liberty Partners

Fund Name	Liberty Partners II, L.P.
Geographic Focus	North America
Investment Type	Secondary
Current NAV	$20.0 mm
% of NAV	3.26%
Investment Strategy	Buyout
Industry Focus	Education, Manufacturing, Business Services

Liberty Partners, LLC ("Liberty') is a New York based private equity investment firm. Founded in 1992, Liberty specializes in middle-market private equity investments in education, specialty manufacturing and business services companies.

6 Avista Capital Partners

Fund Name	Avista Capital Partners (Offshore), L.P.
Geographic Focus	North America
Investment Type	Funded Primary
Current NAV	$19.8 mm
% of NAV	3.24%
Investment Strategy	Buyout
Industry Focus	Energy, Healthcare & Media

Avista Capital Partners (Offshore), L.P. ("Avista") makes controlling or influential investments in US companies in connection with various transactions in the energy, healthcare and media sectors. Avista invests capital for leverage buyouts, build-ups and growth financings.

7 Omega Fund

Fund Name	Omega Fund III, L.P.
Geographic Focus	Europe
Investment Type	Secondary
Current NAV	$19.7 mm
% of NAV	3.22%
Investment Strategy	Venture Capital
Industry Focus	Healthcare Venture

Omega Fund III, L.P. ("Omega") specializes in the purchase and management of secondary portfolios of direct investments in the healthcare and biotechnology industries. Omega invests in both private and public companies primarily in Europe and the US.

8 Hutton Collins

Fund Name	Hutton Collins Capital Partners II LP
Geographic Focus	Europe
Investment Type	Primary
Current NAV	$19.4 mm
% of NAV	3.16%
Investment Strategy	Special Situations
Industry Focus	Generalist

Hutton Collins Capital Partners II LP ("Hutton Collins") provides structured equity capital for buyouts, recapitalizations, and expansions in a variety of industries across Europe. Hutton Collins takes both equity and subordinated (mezzanine or otherwise) debt positions in its investments to provide optimized risk-adjusted returns.

(1) Top 10 Investments include fund investments and direct investments, by size. Also includes interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust Respective fund NAVs are based on information provided to Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P., and Macquarie Private Capital Trust by each underlying fund sponsor. Sponsor NAVs include an allocation of cash held at the fund of fund level, based on percentage of underlying fund NAV.

Top 10 Investments[1]

9 DFJ Esprit

Fund Name	Esprit Capital I Fund
Geographic Focus	Europe
Investment Type	Secondary
Current NAV	$18.6 mm
% of NAV	3.03%
Investment Strategy	Venture Capital
Industry Focus	Technology & Media Venture

Esprit Capital I Fund focuses on venture expansion investments in Europe's leading technology, telecom and media companies, primarily in the UK.

10 Babson Capital

Fund Name	Almack Mezzanine I Fund LP
Geographic Focus	Europe
Investment Type	Secondary
Current NAV	$16.8 mm
% of NAV	2.74%
Investment Strategy	Special Situations
Industry Focus	Generalist

Almack Mezzanine I LP ("Almack") invests in senior loans, mezzanine loans and buyout-related high-yield bonds, predominantly in Europe. Almack targets both large and mid-market mezzanine investments in the UK and Continental European markets.

(1) Top 10 Investments include fund investments and direct investments, by size. Also includes interests indirectly owned through the purchase of secondary interests in Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust. Respective fund NAVs are based on information provided to Private Equity Access Fund II Ltd, Bear Stearns Private Opportunity Ventures, L.P., Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P., and Macquarie Private Capital Trust by each underlying fund sponsor. Sponsor NAVs include an allocation of cash held at the fund of fund level, based on percentage of underlying fund NAV.

Board of Directors

The Board of Directors is comprised of four non-executive directors, and no individual has the ability to make unilateral decisions. As required by the UK Listing Rules, the Board of Directors is independent of the Managers[1]; it oversees the activities of the Group, but is not involved in the day-to-day management of the Group. The day-to-day management of the Group will remain the responsibility of the Managers, acting through the Managers' employees.

Trevor Ash, Chairman

Trevor C. Ash, 62 spent 27 years with the Rothschild Group, retiring in May 1999 as Managing Director of the Guernsey-based Rothschild Asset Management (C.I.) Limited and non executive Director of Rothschild Asset Management Limited in London. He also recently retired as a Non-Executive Director of N M Rothschild and Sons (C.I.) Limited, the banking arm of the Rothschild Group in the Channel Islands. In retirement Mr Ash has retained a number of Directorships of the Rothschild Group and joined the Boards of a number of Offshore funds managed by groups including Merrill Lynch, Thames River Capital, Dexion Capital Management and ING. Mr Ash is a Fellow of the Securities Institute of England and Wales.

John Loudon, Director

John Loudon, 72 has been Chairman of Caneminster Ltd., a British investment company, since June 1988. Mr. Loudon serves as a director of GEMS Oriental & General Fund II Limited and GEMS Oriental & General Fund III Limited. Previously, Mr. Loudon was a Managing Director of N.M. Rothschild & Sons from 1970 to 1988 and the Chairman of Warrier International Limited from 1988 to 1991. Mr. Loudon also served as a director of Exel Group plc from 1992 to 2004, XL Capital Ltd from 1992 to 2005 and Derby Trust plc from 1989 to 2003. Mr. Loudon is a resident of the UK.

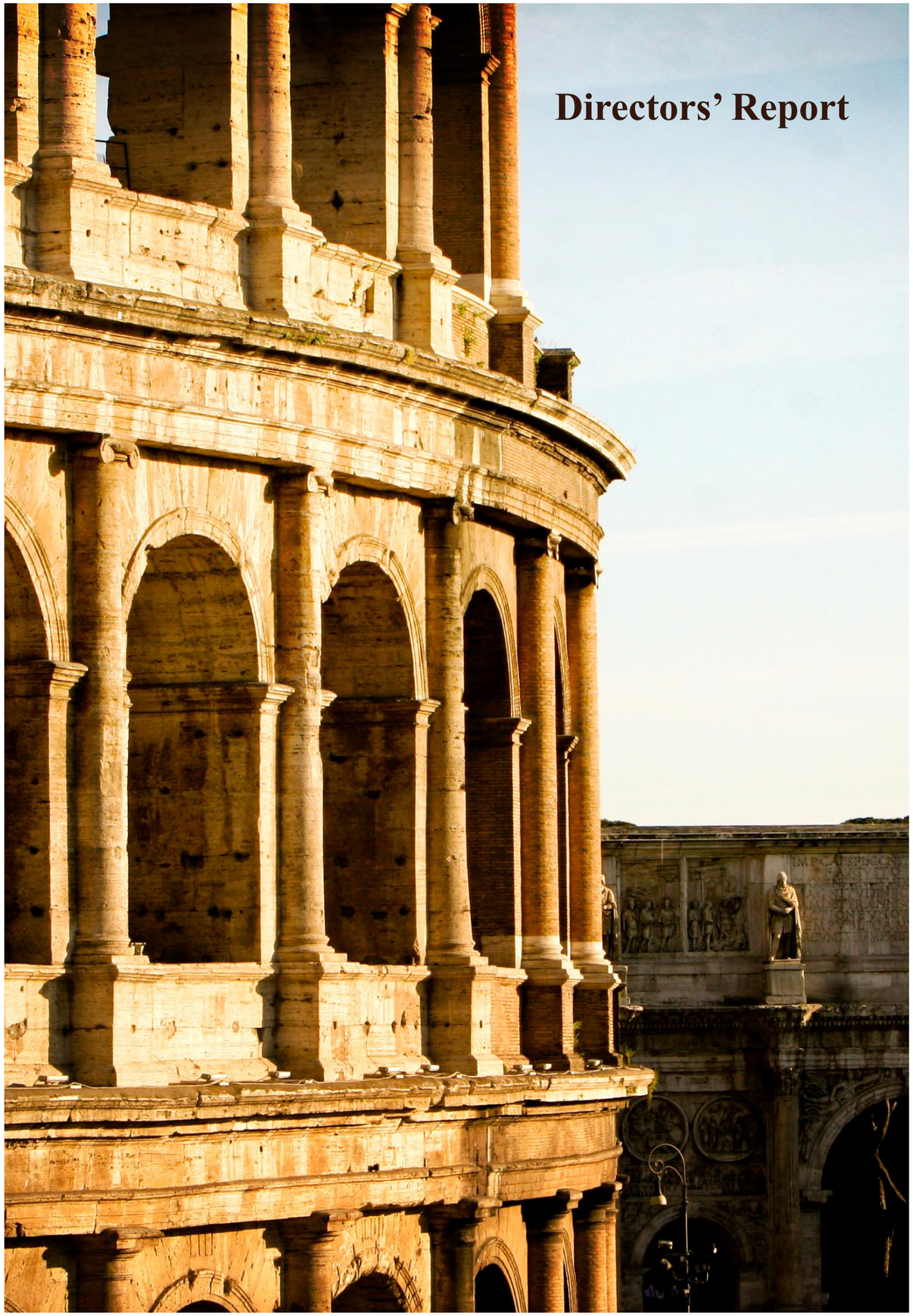
Christopher Spencer, Director

Christopher Spencer, 58 qualified as a chartered accountant in London in 1975. Following two years in Bermuda he moved to Guernsey. Mr. Spencer, who specialized in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Mr. Spencer was a past President of the Guernsey Society of Chartered and Certified Accountants, and a past Chairman of the Guernsey Branch of the Institute of Directors. Mr. Spencer sits on the Board of Directors of Queen's Walk Investments Limited, ISIS Property Trust 2 Limited, Kenmore European Industrial Fund Limited, Dexion Trading Limited, Henderson Far East Income Limited, Ruffer Investment Company Limited and Low Carbon Accelerator Limited, each of which is listed on the London Stock Exchange. Mr. Spencer also sits on the Board of Directors of Thames River EDO Fund Limited, Thames River Kingsway Fund Limited, Thames River Hillside Apex Fund SPC, Thames River Legion Fund Limited, Thames River Longstore Limited, Thames River Kingsway Plus Fund Limited, Thames River Argentun Fund Limited and Nevsky Fund limited, each of which is listed on the Irish Stock Exchange. Mr. Spencer is a resident of Guernsey.

Troy Duncan[1], Director

Troy Duncan, 41 is a Managing Director of JPMorgan Asset Management. Prior to joining JPMorgan Asset Management, Mr. Duncan was a Senior Managing Director of BSAM Inc. Prior to joining BSAM Inc., Mr. Duncan was a Senior Vice President of BDC Financial, Inc. a firm that provided customized investment management and advisory services to institutional and high-net-worth investors in private equity. Prior to BDC Financial, Mr. Duncan held senior financial and operation positions in venture-backed and middle-market companies. Mr. Duncan received a JD from Fordham University School of Law and an AB from the University of Notre Dame. Mr. Duncan is a resident of the US.

(1) Though a majority of the Board of Directors is unaffiliated with the Managers, Troy Duncan is a senior executive of JPMorgan Asset Management, an affiliate of the Manager.



Directors' Report

Directors' Report

Introduction

The Directors present their report together with the audited consolidated financial statements of J.P. Morgan Private Equity Limited and its subsidiaries (the "Group") for the year ended 30 June 2008. The financial highlights are set out on page 4. A detailed review of activities is contained in the Manager's Report on page 16.

The Directors believe that Bear Stearns Asset Management Inc, now a subsidiary of JPMorgan Chase & Co., has performed creditably since its appointment as the manager at the time of the Company's inception.

Principal Activity

The Group's primary activity is that of an investment company investing in private equity funds.

Going Concern

The Directors have examined significant areas of possible financial risk and have satisfied themselves that no material exposures exist. The Directors therefore consider that the Group has adequate resources to continue in operational existence for the foreseeable future and after due consideration believe it is appropriate to adopt the going concern basis in preparing the financial statements.

Corporate Governance

Principles Statement

The Directors are committed to high standards of corporate governance and have made it Group policy to comply with best practice in this area, insofar as the Directors believe it is relevant and appropriate to the Group, and notwithstanding the fact that the Group is not obliged to comply with the 'Combined Code' (i.e. the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance) as it is a Guernsey registered company.

Role of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Group:

- review the overall objectives for the Group as described in the prospectus and set the Group's strategy for fulfilling those objectives within an appropriate risk framework;
- consider any shifts in strategy that it considers may be appropriate in light of market conditions;
- review the capital structure of the Company including consideration of an appropriate use of gearing both for the Group and in any joint ventures in which the Group may invest in from time to time;
- appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings; and
- review key elements of the Group's performance including NAV and payment of dividends.

The Directors do not hold directly or indirectly shares in the Group.

Board Decisions

At its Board meetings, the Board ensures that all the strategic matters listed under 'Role of the Board' are considered and resolved by the Board. While issues associated with implementing the Group's strategy are generally considered by the Board to be non strategic in nature and are delegated either to the Manager or the Administrator, the Board considers there are implementation matters that are significant enough to be of strategic importance to the Group and should be reserved to the Board (e.g. investments made by the Group).

Directors, Rotation of Directors and Directors Tenure

The Directors listed below were all appointed on 28 April 2005 except where detailed below:
Trevor Charles Ash
John Loudon
Paul Adam Sanabria (resigned 12 October 2007)
Christopher Paul Spencer
Troy Duncan (appointed 12 October 2007)

Directors' Report *(continued)*

Corporate Governance (continued)

The Combined Code recommends that Directors should be appointed for a specified period. The Board has resolved in this instance that Director appointments need not comply with this requirement as all Directors are non-executive and their respective appointments can be terminated at any time without penalty. The Board has approved a policy that Directors will stand for re-election every three years.

Directors Interests

Mr. Paul Sanabria and Mr. Troy Duncan are senior executives of Bear Stearns Asset Management Inc., the Manager (as to the Private Equity Portfolio and as to the Enhanced Cash Management Strategy) to the Group and a subsidiary of JPMorgan Chase & Co. The Directors do not hold directly or indirectly shares in the Group.

Audit Committee

The Board as a whole fulfils the function of an audit committee in relation to, amongst other things, monitoring the internal controls of the Group and its service providers, reviewing the financial statements of the Group, monitoring the independence of the auditor and the effectiveness of the audit process and reviewing the findings of the external auditor.

Remuneration Committee

The Board as a whole fulfils the function of a remuneration committee in relation to the setting and periodic review of the fees of the Directors and the Chairman, taking into account, amongst other factors, prevailing market conditions and the need to attract to the Board, and retain thereafter, suitable persons.

Nomination Committee

The Board as a whole fulfils the function of a nomination committee.

Board Meetings

The Board meets quarterly and as required from time to time to consider specific issues reserved to the Board. At the quarterly meetings it considers papers circulated seven days in advance including reports provided by the Manager and the Administrator. The Manager's report comments on:

- The investment market including recommendations for any changes in strategy that the Manager considers may be appropriate;
- Performance of the Group's portfolio and key asset management initiatives;
- Transactional activity undertaken over the previous quarter and being contemplated for the future; and
- The Group's financial position including its relationship with its bankers and lenders.

The Administrator provides a compliance report.

These reports enable the Board to assess the success with which the Group's investment strategy and other associated matters are being implemented and also to consider any relevant risks and how they should properly be managed.

The below table shows the attendance at Board meetings during the year to 30 June 2008.

	Quarterly Board Meetings Attended	Other Ad-hoc Board Meetings Attended
Trevor Charles Ash	4	10
John Loudon	4	1
Paul Adam Sanabria	1	-
Christopher Paul Spencer	4	5
Troy Duncan	3	4
No. of meetings during the period	**4**	**10**

Director's Report *(continued)*

Board meetings (continued)
In between its regular quarterly meetings, the Board has also met on a number of occasions during the period to approve specific transactions. It has not always been possible for all Directors to attend these meetings. (Note – The Group maintains liability insurance for its Directors and Officers although the Group has no employees and none of its Directors are Executive.)

Internal Controls
The Directors review the effectiveness of the Group's system of internal controls at least once annually.

The System's key controls reviewed by the Directors are as shown below. The Board considers risk management and internal control on a regular basis during the year although such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate risk of failure.

Investment Management services and Administration services are provided to the Group by BSAM Inc.(a subsidiary of JPMorgan Chase & Co.) and HSBC Management (Guernsey) Limited ("HMG"). The Group's system of internal control therefore is substantially reliant on BSAM Inc. and HMG's internal controls and their internal audit.

The key elements designed to provide effective control are as follows:

- Financial reporting – A regular review of relevant financial data including NAV calculations and performance projections.
- Management and Administration Agreements – Contractual documentation with appropriately regulated entities which clearly describes responsibilities for the two principal service providers.
- Management Systems – The Manager's system of internal controls is based on clear written processes, a formal investment committee and clear lines of responsibility and reporting, all of which are monitored by BSAM's internal risk team.
- Investment Strategy – The Company's strategy is authorised and monitored on a regular basis by the Board.

Investment Manager
The Group has entered into an agreement with the Manager, BSAM Inc. (a subsidiary of JPMorgan Chase & Co.). This sets out the Managers' key responsibilities which include proposing an investment strategy to the Board and, within certain authority limits, selecting investments for acquisition and disposal and arranging appropriate lending facilities. The Manager is also responsible for all issues pertaining to asset management.

In light of the performance of the Group since incorporation it is the view of the Directors that it is in the best interests of the Shareholders to continue with the current appointment of the Manager under the terms agreed.

In conjunction with the Groups acquisition of Macquarie Private Capital Group ('MPCG'), Macquarie Investment Management Limited ('MIML') was retained as an advisor by BSPEL Australia Limited. Pursuant to the management agreement between BSPEL Australia Limited and MIML, BSAM Inc. has assumed day-to-day control over the portfolio.

Secretary
HSBC Management (Guernsey) Limited held the office of Secretary throughout the period.

Dividends
The Directors do not propose the payment of a dividend.

Independent Auditor
A resolution for the re-appointment of KPMG Channel Islands Limited is to be proposed at the forthcoming Annual General Meeting.

Director's Report *(continued)*

Shareholder Relations
Shareholder communications are a high priority for the Board. BSAM Inc. produces a quarterly fact sheet which is distributed to shareholders and released to the London Stock Exchange. Members of the Manager's Investment Committee make themselves available at all reasonable times to meet with principal shareholders and key sector analysts. Feedback from these sessions is provided by the Manager to quarterly Board meetings.

In addition, the Board is also kept fully appraised of all market commentary on the Group by the Manager and other professional advisers including the Group's brokers. Through this process the Board seeks to monitor the views of shareholders and to ensure that the Group's communication program is effective.

The Chairman and BSAM Inc. will be available at the Annual General Meeting to answer any questions that attending shareholders may have.

Results of Extraordinary General Meeting (EGM)
The Company convened an EGM on 5 September 2008 to vote on the following resolutions all of which were dully approved by the shareholders;

- Proposals to change the name of the Company to 'J.P. Morgan Private Equity Limited';
- The adoption of new Articles of Incorporation including new provisions that allow: (i) the issue of shares with the same rights as the existing Equity Shares but which are quoted in, and have their NAV calculated and reported in currencies other than the US dollars; (ii) the issue of C shares in the future; and (iii) switching between Existing Equity Share Classes (subject to certain limitations);
- To conduct a capital reorganization of the Company whereby Equity Shares, any shares forming part of an Existing Equity Share Class and the ZDP Shares will have no par value and the existing issued Equity Shares will be redesignated as US$ Equity Shares;
- To request authority for the allotment of Shares by the Company;
- To request that Shareholders approve the insertion of pre-emption rights and their disapplication on the allotment of shares for cash in the new Articles of Incorporation; and
- To renew the authorities of the Company: (i) to make further purchases of its own shares by way of Tender Offers; and (ii) to buy back shares on the market, in both cases in accordance with the Listing Rules, the Articles of Incorporation and all applicable laws and regulations.

Statement of the Directors' Responsibilities
The Directors are responsible for preparing the Directors' Report, Annual Report and Financial Statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit or loss of the Group for that period in accordance with International Financial Reporting Standards and in accordance with applicable laws.

In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and 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 Group will continue in business.

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

Director's Report *(continued)*

Statement of the Directors' Responsibilities (continued)

We also confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole as required by Disclosure and Transparency Rules ("DTR") 4.1.12R; and
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face as required by DTR 4.1.12R.

By order of the Board

Trevor Ash
Director

Chris Spencer
Director

Independent Auditor's Report

Independent auditor's report to the members of J.P. Morgan Private Equity Limited (formerly Bear Stearns Private Equity Limited)

We have audited the consolidated and parent financial statements (the "financial statements") of J.P. Morgan Private Equity Limited ("the Company") for the year ended 30 June 2008 which comprise the Consolidated and Company Balance Sheets, Consolidated and Company Income Statements, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards as set out in the Statement of Directors' Responsibilities on page 33 to 34.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and Company's affairs as at 30 June 2008 and of the Group's and Company's profit for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

Chartered Accountants

Financial Statements

Income Statement – Company

Company income statement for the year ended 30 June 2008

	Notes	2008	2007
		£'000	£'000
Investment income			
Interest and dividend income	2	**2,878**	**1,802**
Expenses			
Investment management fee	12	(2,676)	(1,234)
Valuers' fees		(26)	-
Administrative fee	12	(190)	(117)
Audit fee		(30)	(15)
Directors' fees		(83)	(67)
Performance fee	12	(1,375)	(2,069)
Other expenses		(961)	(736)
Total Expenses		**(5,341)**	**(4,238)**
Net loss before finance costs		(2,463)	(2,436)
Finance costs			
Interest payable	3	(2,161)	(2,013)
Gains from investments			
Net gains on investments	4	40,242	35,189
Realised foreign currency loss		(678)	-
Unrealised foreign currency gain		1,397	-
Profit for the period		**36,337**	**30,740**
Basic earnings per share	13	13.0p	24.0p

All items in the above statement are derived from continuing operations.

The notes on pages 49 to 78 form an integral part of these financial statements.

Consolidated Income Statement

Consolidated income statement for the year ended 30 June 2008

	Notes	2008	2007
		£'000	£'000
Investment income			
Interest and dividend income	2	**2,915**	**1,802**
Expenses			
Investment management fee	12	(2,728)	(1,234)
Valuers' fees		(26)	-
Administrative fee	12	(190)	(117)
Audit fee		(76)	(15)
Directors' fees		(83)	(67)
Performance fee	12	(1,375)	(2,069)
Other expenses		(1,474)	(859)
Total Expenses		**(5,952)**	**(4,361)**
Net loss before finance costs		(3,037)	(2,559)
Finance costs			
Interest payable	3	(3,780)	(2,947)
Gains from investments			
Net gains on investments	4	37,877	37,306
Realised foreign currency loss		(678)	-
Unrealised foreign currency gain		3,710	-
Profit for the period		**34,092**	**31,800**
Attributable to equity holders of the Company		28,112	30,711
Attributable to minority interests		5,980	1,089
		34,092	31,800
Basic earnings per share	13	10.0p	24.0p

All items in the above statement are derived from continuing operations.

The notes on pages 49 to 78 form an integral part of these financial statements.

Balance Sheet - Company

Company Balance Sheet as at 30 June 2008

	Notes	2008	2007
		£'000	£'000
Non-current assets			
Financial assets at fair value through profit or loss	5	195,951	105,401
Subsidiaries at fair value through profit or loss	7	111,904	24,232
		307,855	**129,633**
Current assets			
Cash and cash equivalents	8	12,523	131,931
Receivables		529	500
		13,052	**132,431**
Current liabilities			
Payables and accruals		(4,232)	(2,630)
Derivative financial instruments	6	(27)	-
Net current assets		**(8,793)**	**129,801**
Non-current liabilities			
Loan	9	(13,898)	-
Zero dividend preference shares	10	(30,375)	(28,433)
		(44,273)	(28,433)
Net Assets		**272,375**	**231,001**
Represented by:			
Share capital	11	29	29
Reserves	11	272,346	230,972
		272,375	**231,001**
NAV per Equity share	13	£0.93	£0.80

The financial statements on pages 38 to 78 are approved by the Board of Directors on 6 October 2008 and are signed on its behalf by:

Trevor Ash
Director

Chris Spencer
Director

The notes on pages 49 to 78 form an integral part of these financial statements.

Consolidated Balance Sheet

Consolidated Balance Sheet as at 30 June 2008

	Notes	2008	2007
		£'000	£'000
Non-current assets			
Financial assets at fair value through profit or loss	5	**374,159**	**150,460**
Current assets			
Cash and cash equivalents	8	13,789	132,177
Receivables		2,092	500
		15,881	**132,677**
Current liabilities			
Payables and accruals		(6,332)	(2,768)
Derivative financial instruments	6	(255)	-
Net current assets		**9,294**	**129,909**
Non-current liabilities			
Loan	9	(59,875)	(14,876)
Zero dividend preference shares	10	(30,375)	(28,433)
		(90,250)	(43,309)
Net Assets		**293,203**	**237,060**
Represented by:			
Share capital	11	29	29
Reserves	11	270,307	230,972
Total equity attributable to equity holders of the Company		**270.336**	**231,001**
Minority interest		22,867	6,059
Total equity		**293,203**	**237,060**
NAV per Equity share	13	£0.92	£0.80

The financial statements on pages 38 to 78 are approved by the Board of Directors on 6 October 2008 and are signed on its behalf by:

Trevor Ash
Director

Chris Spencer
Director

The notes on pages 49 to 78 form an integral part of these financial statements.

Statement of Changes in Equity - Company

Company Statement of Changes in Equity for the year ended 30 June 2007

	Share Capital £'000	Share premium £'000	Accumulated losses £'000	Capital reserve £'000	Currency translation reserve £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Total £'000
At 1 July 2006	9	-	(1,273)	7,459	(1,457)	-	57,260	61,998
Issue of equity shares	21	157,327	-	-	-	-	-	157,348
Redemption of equity shares	(1)	-	-	-	-	-	(5,968)	(5,969)
Transfer to capital redemption reserve	-	-	-	-	-	1	(1)	-
Share issue costs	-	(2,998)	-	-	-	-	-	(2,998)
	29	154,329	(1,273)	7,459	(1,457)	1	51,291	210,379
Profit for the period	-	-	(4,449)	35,189	-	-	-	30,740
Effect of translation to presentation currency	-	-	-	-	(10,118)	-	-	(10,118)
At 30 June 2007	29	154,329	(5,722)	42,648	(11,575)	1	51,291	231,001

The notes on pages 49 to 78 form an integral part of these financial statements.

Statement of Changes in Equity - Company

Company Statement of Changes in Equity for the year ended 30 June 2008

	Share Capital £'000	Share premium £'000	Accumulated losses £'000	Capital reserve £'000	Currency translation reserve £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Total £'000
At 1 July 2007	29	154,329	(5,722)	42,648	(11,575)	1	51,291	231,001
Transfer to special distributable reserve	-	(154,329)	-	-	-	-	154,329	-
Issue of equity shares	1	7,634	-	-	-	-	-	7,635
Redemption of equity shares	-	-	-	-	-	-	(3,562)	(3,562)
Transfer to capital redemption reserve	-	-	-	-	-	3	(3)	-
Transfer to capital reserve	-	-	3,398	(3,398)	-	-	-	-
Share issue costs	-	(263)	-	-	-	-	-	(263)
	30	7,371	(2,324)	39,250	(11,575)	4	202,055	234,811
Share buy backs	(3)	-	-	-	-	-	(21,226)	(21,229)
Treasury share sale	2	265	-	-	-	-	20,040	20,307
Net movement in treasury shares	(1)	265	-	-	-	-	(1,186)	(922)
Profit for the period	-	-	(1,838)	38,175	-	-	-	36,337
Effect of translation to presentation currency	-	-	-	-	2,149	-	-	2,149
At 30 June 2008	29	7,636	(4,162)	77,425	(9,426)	4	200,869	272,375

The notes on pages 49 to 78 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the year ended 30 June 2007

	Share Capital £'000	Share premium £'000	Accumulated losses £'000	Capital reserve £'000	Currency translation reserve £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Total £'000	Minority Interest £'000	Total £'000
At 1 July 2006	9	-	(1,273)	7,459	(1,457)	-	57,260	61,998	-	61,998
Issue of equity shares	21	157,327	-	-	-	-	-	157,348	-	157,348
Redemption of equity shares	(1)	-	-	-	-	-	(5,968)	(5,969)	-	(5,969)
Transfer to capital redemption reserve	-	-	-	-	-	1	(1)	-	-	-
Issue Costs	-	(2,998)	-	-	-	-	-	(2,998)	-	(2,998)
	29	154,329	(1,273)	7,459	(1,457)	1	51,291	210,379		210,379
Profit for the period	-	-	(5,317)	36,028	-	-	-	30,711	1,089	31,800
Effect of translation of presentation currency	-	-	-	-	(10,089)	-	-	(10,089)	(40)	(10,129)
Issue of shares in subsidiary to minority interests	-	-	-	-	-	-	-	-	5,010	5,010
At 30 June 2007	29	154,329	(6,590)	43,487	(11,546)	1	51,291	231,001	6,059	237,060

The notes on pages 49 to 78 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the year ended 30 June 2008

	Share Capital £'000	Share premium £'000	Accumulated losses £'000	Capital reserve £'000	Currency translation reserve £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Total £'000	Minority Interest £'000	Total £'000
At 1 July 2007	29	154,329	(6,590)	43,487	(11,546)	1	51,291	231,001	6,059	237,060
Transfer to special distributable reserve	-	(154,329)	-	-	-	-	154,329	-	-	-
Issue of equity shares	1	7,634	-	-	-	-	-	7,635	-	7,635
Redemption of equity shares	-	-	-	-	-	-	(3,562)	(3,562)	-	(3,562)
Transfer to capital redemption reserve	-	-	-	-	-	3	(3)	-	-	-
Transfer to capital reserve	-	-	3,398	(3,398)	-	-	-	-	-	-
Issue Costs	-	-	-	-	-	-	-	(263)		(263)
	30	7,371	(3,192)	40,089	(11,546)	4	202,055	234,811	6,059	240,870
Share buy backs	(3)	-	-	-	-	-	(21,226)	(21,229)	-	(21,229)
Treasury share sale	2	265	-	-	-	-	20,040	20,307	-	20,307
Net movement in treasury shares	(1)	265	-	-	-	-	(1,186)	(922)	-	(922)
Profit for the period	-	-	(1,637)	29,749	-	-	-	28,112	5,980	34,092
Effect of translation of presentation currency	-	-	-	-	8,336	-	-	8,336	2,046	10,382
Issue of shares in subsidiary to minority interests	-	-	-	-	-	-	-	-	7,748	7,748
Minority interest acquired in Group combination	-	-	-	-	-	-	-	-	1,034	1,034
At 30 June 2008	**29**	**7,636**	**(4,829)**	**69,838**	**(3,210)**	**4**	**200,869**	**270,336**	**22,867**	**293,203**

The notes on pages 49 to 78 form an integral part of these financial statements.

Cash Flow Statement - Company

Company Statement of Cash Flows for the year ended 30 June 2008

	2008	2007
	£'000	£'000
Operating activities		
Profit for the period	36,337	30,740
Adjustments for:		
Interest and dividend income	(2,878)	(1,802)
Interest expense	2,161	2,013
Net gains on investments	(22,954)	(31,593)
Unrealised gains from subsidiaries	(19,112)	(3,596)
Unrealised foreign currency loss	(1,077)	-
Net movement in derivative contracts	(1,980)	-
Net gains on derivative contracts	1,824	-
Operating cash flow before changes in working capital	**(7,679)**	**(4,238)**
Increase in receivables	(77)	(109)
Increase in payables	1,571	2,343
Cash outflows from operating activities	**(6,185)**	**(2,004)**
Investing activities		
Purchase of investments	(97,658)	(46,219)
Return of capital from investments	31,465	14,745
Investment in subsidiary	(67,844)	(21,588)
Interest received	2,878	1,802
Cash outflows from investing activities	**(131,159)**	**(51,260)**
Financing activities		
Proceeds on issue of equity shares	7,635	157,348
Equity shares buy back	(3,562)	(5,969)
Proceeds from sale of treasury shares	20,307	-
Purchase of treasury shares	(21,229)	-
Issue costs	(263)	(2,998)
Redemption of zero dividend preference shares	(137)	-
Proceeds from loan financing	13,722	-
Cash inflows from financing activities	**16,473**	**148,381**
Net (decrease)/increase in cash and cash equivalents	(120,871)	95,117
Cash and cash equivalents at beginning of the year	131,931	40,216
Effects of exchange difference arising from cash and cash equivalents	1,463	(3,402)
Cash and cash equivalents at end of the year	**12,523**	**131,931**

The notes on pages 49 to 78 form an integral part of these financial statements.

Consolidated Cash Flow Statement

Consolidated Statement of Cash Flows for the year ended 30 June 2008

	2008	2007
	£'000	£'000
Operating activities		
Profit for the year	34,092	31,800
Adjustments for:		
Interest and dividend income	(2,915)	(1,802)
Interest expense	3,780	2,947
Tax paid	(577)	-
Net derivative losses	3,360	-
Net gains on investments	(41,237)	(37,306)
Net cash movement in derivative contracts	(1,980)	-
Unrealised foreign currency gain	(3,371)	-
Operating cash flows before changes in working capital	**(8,848)**	**(4,361)**
Increase in receivables	(2,338)	(109)
Increase in payables	1,618	2,487
Cash flows from operating activities	**(9,568)**	**(1,983)**
Investing activities		
Purchase of investments	(141,571)	(87,334)
Return of capital from investments	35,356	14,745
Interest received	2,915	1,802
Acquisition of subsidiary net of cash received	(50,355)	-
Cash flows from investing activities	**(153,655)**	**(70,787)**
Financing activities		
Proceeds on issue of equity shares	7,635	157,348
Equity shares buy back	(3,562)	(5,969)
Issue costs	(263)	(2,998)
Loan proceeds received	25,852	15,490
Interest paid	(1,619)	(759)
Issue of shares in subsidiary to minority interest	7,748	5,010
Treasury purchases	(21,229)	-
Proceeds from treasury share sale	20,307	-
Cost of redemption of zero divided preference shares	(137)	-
Cash flows from financing activities	**34,732**	**168,122**
Net (decrease)/increase in cash and cash equivalents	(128,491)	95,352
Cash and cash equivalents at beginning of year	132,177	40,216
Effects of exchange difference arising from cash and cash equivalents	10,103	(3,391)
Cash and cash equivalents at end of the year	**13,789**	**132,177**

The notes on pages 49 to 78 form an integral part of these financial statements.

Notes to the Financial Statements For the Year Ended 30 June 2008

1. SIGNIFICANT ACCOUNTING POLICIES

J.P. Morgan Private Equity Limited, formerly known as Bear Stearns Private Equity Limited is a closed-ended investment fund incorporated as a limited liability company in Guernsey under the Companies (Guernsey) Law, 1994 on 28 April 2005. The Company's capital structure consists of two classes of shares, Equity Shares and Zero Dividend Preference Shares, both listed on the London Stock Exchange.

The primary objective of the Company and its subsidiaries ("the Group") is to achieve capital growth, with income as secondary objective, from a diversified portfolio consisting predominantly of private equity limited partnership interests, whilst also employing an enhanced cash management strategy, including diversified investment in, amongst other things, funds of hedge funds and hedge funds. The Group may also invest directly in private equity investments.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and adopted by the International Accounting Standards Board (the "IASB"), interpretations issued by the International Financial Reporting Interpretations Committee, applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority.

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2007 adopted by the Group

IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements - capital disclosures. IFRS 7 introduces new requirements aimed at expanding the disclosure of information about the Group's financial instruments. It requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Company and its Group have applied IFRS 7 and the amendment to IAS 1 in these financial statements, with the relevant disclosures included in note 14.

The IASB also issued various interpretations that are effective 1 January 2007, which had no impact on the financial statements. These are IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10 and IFRIC 12.

(b) Standards, amendments and interpretations to published standards not yet effective /applicable to the group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting periods and which have not been adopted early. These are:

- IFRS 8: Operating segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and replaces IAS 14. As this is a disclosure standard it will not have any impact on the results or net assets of the Company or its Group.
- IAS 23: Borrowing costs (revised) (effective for accounting periods beginning on or after 1 January 2009). This amendment will have no impact on the results or net assets of the Company or its Group.
- Revised IFRS 3: Business combinations and complementary amendments to IAS 27 Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009). The Group is currently assessing the impact of these changes on the financial statements.
- Amendment to IFRS 2: Share-based payments - vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). This amendment will have no impact on the results or net assets of the Company or its Group.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of compliance (continued)
The Group has assessed the impact of IFRIC 11: IFRS 2 Group and treasury share transactions (effective for accounting periods beginning on or after 1 March 2007) and does not consider this interpretation to have any impact on the financial statements of the Group.

The IASB has also issued IFRIC 12 Service concession arrangements, IFRIC 13 Customer loyalty programmes and IFRIC 14 re IAS 19 the limit on a defined benefit asset, minimum funding requirements and their interaction and IAS 32 – Financial Instruments: Presentation, all of which are not relevant to the operations of the Company or the Group.

Basis of Preparation
These consolidated financial statements have been prepared in Sterling on the historical cost basis except for investments and derivative financial instruments that are measured at fair value with changes in fair value recorded in the income statement. Other financial assets and financial liabilities including receivables, payables, accruals, loans and zero dividend preference shares are stated at amortised cost.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below in key estimates and assumptions.

Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Subsidiaries are measured at fair value under Company's separate financial statements and any unrealised gains and losses are recognised directly in the income statement.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Associates
Associates are entities in which the entity has significant influence but no control over the financial and operating policies. Interests in associates are carried in the balance sheet at fair value. This treatment is permitted by IAS 28 Investments in Associates, which requires associates interests held by funds to be excluded from its scope where those investments are designated upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, with changes in fair value recognised in the income statement in the period of the change.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments
Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet and income statement when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

i) Financial assets
The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Company or Group became party to the contractual requirement of the financial asset.

The Group's financial assets comprise of assets designated as financial assets at fair value through profit or loss and loans and receivables. Unless otherwise indicated the carrying amounts of the Group's financial assets approximate to their fair values.

a) Financial assets at fair value through profit or loss
The Group manages its investments with a view to profiting from the receipt of dividends and changes in fair value of equity investments. Therefore, all quoted investments and unquoted equity investments are designated as at fair value through profit or loss and subsequently carried in the balance sheet at fair value. Acquisition costs are attributed to equity investments and related transaction costs are recognised immediately in the income statement.

Investments in underlying funds are recorded at fair value as reported by the general partners of these funds. The underlying investments held by the funds are measured at fair value, which is based on the General Partners' estimate. In estimating the fair value of underlying investments the objective of the General Partners is to replicate the assumptions and estimates that parties in an arm's length transaction would make. In arriving at the estimated value of underlying investments, the General Partners consider market multiples, net assets, industry benchmarks, prices of recent transactions, negotiated sales prices, projected operational and financial results of the company and discounted cash flow valuations. The valuation policies used by many of the private equity general partners and sponsors in undertaking such valuations are generally in line with the recommendations of either the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) or standard industry practice. Changes in fair value are recognised in the profit and loss account under net gains/losses from financial assets and liabilities at fair value through profit or loss.

Investments made by the Group are generally considered to be long term investments and are not intended to be disposed off on a short term basis. Accordingly valuations do not necessarily represent the amounts which may eventually be realised from sales or other disposals of investments. Values of unlisted investments may differ significantly from the values that would have been used had a ready market for these assets existed.

b) Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active Market. They principally comprise trade and other receivables and cash and cash equivalents. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

c) Derivative financial instruments
Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently remeasured at their fair value.

The Groups' derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within 'gains from financial assets at fair value through profit and loss- held for trading'.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Derecognition of financial assets
A financial asset (in whole or in part) is derecognised either:

- When the group has transferred substantially all the risk and rewards of ownership; or
- When it has neither transferred nor retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- When the contractual right to receive cash flow has expired.

ii) Financial liabilities
The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on trade date, being the date on which the Company or Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company and Group's financial liabilities approximate to their fair values.

a) Financial liabilities measured at amortised cost
These include trade payables and other short-term monetary liabilities, loans and Zero Dividend Preference shares which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

b) Derecognition of financial liabilities
A financial liability (in whole or in part) is derecognised when the Company or Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the income statement.

The following table details the categories of financial assets and liabilities held by the Group and the company at the reporting date:

	Group		Company	
Assets	**2008 £'000**	**2007 £'000**	**2008 £'000**	**2007 £'000**
Financial assets designated at fair value through profit or loss upon initial recognition:				
- Equity investments	374,159	150,460	307,855	129,633
Loans and receivables	15,881	132,677	13,052	132,431
Total financial assets	**390,040**	**283,137**	**320,907**	**262,064**
Liabilities				
Financial liabilities held for trading- derivatives	(255)	-	(27)	-
Financial liabilities measured at amortised cost	(96,582)	(46,077)	(48,505)	(31,063)
Total financial liabilities	**(96,837)**	**(46,077)**	**(48,532)**	**(31,063)**

Zero dividend preference shares
Zero dividend preference shares ("ZDP Shares") are classified as a liability in the financial statements as the ZDP's have a maturity date of 28 June 2013 and receive a fixed redemption yield of 7%. They are initially recognised at their capital entitlement being fair value less issuance costs. Subsequent to the initial recognition, ZDP shares are carried at amortised cost using the effective interest rate method. Increases in the carrying value of ZDP shares due to accrued but unpaid interest are recognised in the Income Statement and charged to the Capital Reserves.

Cash and cash equivalents
Cash comprises deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Costs incurred for the issuance of ordinary shares
Incremental external costs directly attributable to the equity transaction and costs associated with the establishment of the Company that would otherwise have been avoided are written off against share premium account.

Notes to the Financial Statements *(continued)*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest
Interest income and expense is recognised in the income statement as it accrues using the original effective interest rate of the instrument calculated at the acquisition or origination date.

Expenses
Expenses are recognised on an accruals basis in the income statement.

Foreign Exchange
Foreign currency transactions
Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into US dollars at foreign exchange rate ruling at that date. Foreign exchange differences arising from translation and realized gains and losses on the disposals or settlement of monetary assets and liabilities are recognised in the Income Statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to US Dollars at foreign exchange rates ruling at the dates the fair value was determined and the foreign exchange movements are recognised in the income statement as part of the unrealised gain on revaluation of investments.

Functional and presentation currency
The financial statements of the Group are presented in Sterling as the shareholders are residing mainly in the UK. Assets and liabilities are translated from the functional currency to Sterling at rates of exchange ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the year. All equity items other than the result for the current year are translated at historical rates. Resultant exchange differences are recognised directly in the Currency Translation Reserve.

Taxation
The Company and BSPEL/Mezzanine Funding Limited, a Guernsey based subsidiary have obtained exempt company status in Guernsey under the provisions of the Income Tax (Exempt Bodies) Guernsey, Ordinance 1989 so that they are exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. From 1 January 2008, the States of Guernsey abolished the exempt company regime for certain type of entities. All other Guernsey based companies beside the Company and BSPEL/Mezzanine Funding Limited now fall under the Zero-10 regime and have their investment income assessed for tax at a taxable rate of 0%.

The Australian Subsidiary, MPCT, is not subject to income tax provided the taxable income of the Trust is fully distributed either by way of cash or reinvestment (i.e. unit holders are presently entitled to the income of the Trust).

Key estimates and assumptions
Estimates and judgements used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting estimates will, by definition, seldom equal the related actual results.

The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to the valuation of unquoted investments. These are valued in accordance with IPEVC valuation guidelines as set out in financial assets policy above. Judgement is required in order to determine the appropriate valuation methodology under these guidelines, and subsequently in determining the inputs into the valuation models used. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability discounts. Although the judgements are significant, the valuation guidelines are clear, well established and supported by a large part of the global private equity industry.

Notes to the Financial Statements *(continued)*

2. INTEREST AND DIVIDEND INCOME

The following table details the interest and dividend income earned by the Group and the Company during the year:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Interest income from financial assets that are not at fair value through profit or loss:				
- Cash and cash equivalents	2,915	1,802	2,878	1,802

3. INTEREST EXPENSE

The following table details the interest expense incurred by the Group and the Company during the year:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Interest expense from financial instruments that are not at fair value through profit or loss:				
- Financial liabilities at amortised cost	3,780	2,947	2,161	2,013

4. GAINS FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table details the gains and losses from financial assets and liabilities at fair value through profit or loss for the year ended:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Designated at fair value through profit or loss				
Equity investments	41,237	37,306	42,066	35,189
Held for trading				
Derivative financial instruments	(3,360)	-	(1,842)	-
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss.	37,877	37,306	40,242	35,189

Notes to the Financial Statements *(continued)*

5. INVESTMENTS

The Group has investments in several funds. The following table is an analysis of the investment portfolio disclosing cost and fair value of the investments.

Group and Company

Investments	Historical cost of investments 30 June 2008 £'000	Market value of investments 30 June 2008 £'000	Historical cost of investments 30 June 2007 £'000	Market value of investments 30 June 2007 £'000
Private Equity Investments				
AIG Highstar Capital III Prism Fund, LP	6,023	5,345	-	-
Aksia Capital III LP	1,385	1,758	1,032	1,055
Alto I/ Development Capital I S.C.A	4,261	7,639	4,194	6,670
Alto Capital II	889	1,085	514	777
Apollo International Real Estate Fund	-	863	62	1,309
Apollo Investment Fund V, LP	264	1,929	362	3,067
Apollo Real Estate Investment Fund IV, LP	477	1,032	511	922
Aqua International Partners, LP	768	2,909	762	2,974
Argan Capital Fund	4,172	6,800	3,380	5,364
Arlington Capital Partners II, LP	707	733	278	250
Arrow Path Fund II, LP	545	742	380	623
Arysta LifeScience Corporation	-	1,150	2,482	2,482
Avista Capital Partners (Offshore), LP	6,610	7,282	3,519	3,926
Bain Capital Fund VI, LP	64	71	60	248
Bear Stearns Global Turnaround Fund, LP	24,668	24,735	-	-
Bear Stearns Private Opportunity Ventures, LP	1,293	3,322	-	-
Black Diamond Capital Management	840	827	498	507
Blackstone Capital Partners IV, LP	244	1,814	386	2,320
Blackstone Real Estate Partners IV, LP	976	1,194	916	1,295
Candover 2001 Fund	-	1,617	151	2,160
Candover 2005 Fund	1,866	2,117	1,101	1,153
Clearwater Capital Partners Fund I, LP	4,688	3,984	-	-
Clearwater Capital Partners Opportunities Fund, LP	1,255	1,440	1,245	1,406
Colony Investors VI, LP	736	1,154	834	1,845
CPC Luxury Optical Investment LLC	1,256	1,570	713	,1049
CPC RD Investment LLC	1,474	2,238	1,245	1,245
Dolphin Communications Fund II, LP	294	273	312	286
Doughty Hanson & Co. Technology Fund	771	1,235	634	592
Esprit Capital I Fund	7,672	9,319	4,281	4,237
Freescale Semiconductor, Inc	1,104	939	1,095	1,095
Gemini Israel III, LP	456	494	615	746
Global Buyout Fund, LP	3,030	3,898	-	-
Global Opportunistic Fund	10,053	17,899	-	-
Green Investors III, LP	312	159	335	233
Gridiron Capital Fund, LP	1,432	1,229	-	-
Guggenheim Aviation Offshore Investment Fund II, LP	3,849	3,849	-	-
Hupomone Capital Fund, LP	1,658	1,507	-	-
Hutton Collins Capital Partners II LP	2,508	2,954	1,144	1,216
Industry Ventures Acquisition Fund, LP	449	279	568	595
Industry Ventures Fund IV, LP	1,611	1,755	1,040	1,182
Leeds Equity Partners IV, LP	3,789	4,137	-	-
Liberty Partners II, LP	9,361	10,029	-	-
Main Street Resources I, LP	1,383	2,710	1,371	2,376
Main Street Resources II, LP	844	1,030	186	277

Continued next page

Notes to the Financial Statements *(continued)*

5. INVESTMENTS (continued)

Group and Company

Investments	Historical cost of investments 30 June 2008 £'000	Market value of investments 30 June 2008 £'000	Historical cost of investments 30 June 2007 £'000	Market value of investments 30 June 2007 £'000
Private Equity Investments				
Markstone Capital Partners, LP	1,296	1,637	1,397	1,557
Montagu III LP	1,583	1,511	-	-
Morning Street Partners, LP	799	1,116	783	1,283
Norvestor IV LP	925	2,672	1,002	2,096
Norvestor V LP	416	401	-	-
OCM European Principal Opportunities Fund, LP	3,493	4,959	2,867	3,646
Olympus Capital Asia III (Offshore), LP	2,682	1,942	-	-
Omega Fund III, LP	5,536	6,687	6,745	7,330
Ossian Retail Group	977	-	950	998
Oxford Bioscience Partners IV, LP	700	764	718	1,059
Private Equity Access Fund II Ltd	1,142	6,079	4,840	9,390
Providence Equity Partners IV, LP	520	2,043	536	1,659
Quadrangle Capital Partners, LP	573	1,332	619	1,550
Realza Capital Fondo, FCR	642	670	-	-
SCAN Geophysical AS	484	1,327	480	3,631
Starwood U.S. Opportunity Fund VI-D, LP	1,961	1,036	1,945	2,954
Strategic Value Global Opportunities Master Fund, LP	2,092	2,747	1,775	2,242
Strategic Value Global Opportunities Feeder Fund I-A, LP	1,363	1,266	1,558	1,542
SVE Star Ventures	628	602	558	563
Terra Firma Deutsche Annington LP	667	1,191	664	1,012
Thomas H. Lee Equity Fund V, LP	1,169	1,777	1,226	2,029
Trumpet Feeder Ltd	691	1,094	610	1,001
Warburg Pincus Private Equity VIII, LP	1,265	2,616	1,405	3,221
Wellington Partners Ventures II GMBH & CO.KG (B)	1,112	1,180	1,103	1,115
Wellington Partners Ventures III Life Science Fund LP	296	258	52	40
Total investments as reported by the company	149,051	195,951	68,139	105,401
Additional investments reported in the group accounts				
BoS Mezzanine Partners Fund, LP	63,330	72,771	39,562	45,059
HGX Private Equity Fund LP	20,168	35,376	-	-
ABN Amro Capital Australia	1,445	899	-	-
Aisling Capital II	755	750	-	-
Australasian & Communications Fund 2C	519	517	-	-
Blackstone Capital Partners	2,574	2,558	-	-
Carlyle Asia Partners 2, LP	1,887	1,875	-	-
Carlyle Riverstone Global En + Pwr	2,149	2,135	-	-
Carlyle Riverstone Renewable Energy Infrastructure Fund 1, LP	1,442	1,433	-	-
Catalyst Buyout Fund 1A	3,372	3,373	-	-
Catalyst Buyout Fund 1B	3,372	3,373	-	-
Ceram Polymerick	233	-	-	-
Ceram Polymerick CN	144	144	-	-
Charterhouse Captital Partners VIII	2,730	2,750	-	-
GBS3 BioVentures	1,071	1,097	-	-
HG Capital V, LP	1,333	1,428	-	-
Industry Ventures 4	1,958	1,947	-	-

Continued next page

Notes to the Financial Statements *(continued)*

5. INVESTMENTS (continued)

Group and Company

Investments	Historical cost of investments 30 June 2008 £'000	Market value of investments 30 June 2008 £'000	Historical cost of investments 30 June 2007 £'000	Market value of investments 30 June 2007 £'000
Private Equity Investments				
Industry Ventures Acquisition Fund	726	720	-	-
IRONC	416	-	-	-
MACCWF	9,219	8,263	-	-
Macquarie Euro Infrastructure Fund	6,261	6,106	-	-
Macquarie GIF A	9	7	-	-
Macquarie GIF B	11	8	-	-
Macquarie GIF C *	-	-	-	-
Macquarie GIF D *	-	-	-	-
MAIT I	5,701	5,191	-	-
MAIT II	8,261	11,165	-	-
MAIT III	6,251	5,699	-	-
MTF	372	372	-	-
PCG Special Situations	4,133	4,101	-	-
Quadrant Private Eq. No 1	3,566	3,950	-	-
Starfish Ventures Pre-Seed	227	200	-	-
Total investments as reported by Group	**302,270**	**374,159**	**107,701**	**150,460**

* The book value of Macquarie GIF C and Macquarie GIF D was AUD 833 and AUD 771 respectively at the year end.

All investments are designated by management at fair value through profit or loss at inception.

The Group has committed to invest in certain private equity funds and investments. Such commitments are payable upon demand at the request of the Fund's administrator or General Partner. As at 30 June 2008, the Group had outstanding commitments of £100,979,126 (2007: £54,786,000) which may be called by the underlying limited partnerships.

Notes to the Financial Statements *(continued)*

6. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments such as forwards. Derivatives are considered to be part of the advanced cash management process. The use of derivatives is an essential part of the Group's portfolio management. Derivatives are not managed in isolation. Consequently the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Group against a fluctuation n market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the market exceeds the underlying value of the Group.

The Group holds the following derivative instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Group to hedge against foreign exchange rate risks on its non US dollar dominated trading securities. The Group agrees to deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Group recognises a gain or loss equal to the change in fair value at the reporting date.

2008

Currency sold	Currency amount sold	Currency Bought	Currency amount bought	Settlement date	Fair value £'000
Group					
US Dollar	47,079,000	Euro	30,000,000	27 August 2008	(27)
AU Dollar	20,000,000	US Dollar	18,719,000	9 July 2008	(228)
					(255)
Company					
US Dollar	47,079,000	Euro	30,000,000	27 August 2008	(27)
					(27)

The Group has issued cash collateral as security for the forward contracts amounting to £1,099,429. There were no derivative assets/liabilities held in the year ended 30 June 2007.

Notes to the Financial Statements *(continued)*

7. SUBSIDIARIES

Name	Country of Incorporation	% Holding	Principal activity	Fair value 2008 £'000	Fair value 2007 £'000
BSPEL Mezzanine Funding Limited	Guernsey	100%	Holding company	37,587	24,232
BSPEL Australia Limited	Guernsey	100%	Holding company	50,716	-
Hunter Acquisitions Limited	Guernsey	65%	Holding company	23,601	-
				111,904	24,232

BSPEL Mezzanine Funding limited owns 80% of the issued capital of BSPEL/Migdal Mezzanine Limited, a Guernsey registered company which invests in eight funds through a limited partnership.

BSPEL Australia Limited owns 100% of the issued trust units in Macquarie Private Capital Trust (MPCT), an Australia registered trust which invests in 30 private equity partnerships and investment funds.

Hunter Acquisitions Limited invests in one direct investment through an SPV.

The Company also owns 100% of the issued share capital of the following Companies that are shell companies for purposes of Investment acquisition; Global Turnaround Fund Limited, BSPEL Mezzanine Funding Limited, BSPEL Lux SA. Through its acquisition of Macquarie Private Capital Group, the Group acquired an 89.2% interest in Macquarie Alternative Investment Trust II.

On 28 September 2007 the Company incorporated Hunter Acquisitions Limited which is a limited partner in HGX Private Equity Fund, LP, an English Partnership. The Company subscribed to 65% of the issued share capital in Hunter Acquisitions Limited with the balance of shares being subscribed by a third party not related to the Group.

The incorporated company contributed net investment income of £17,234 and net profit of £15,213,223 to the Group for the period. These amounts have been calculated using the Group's accounting policies.

a) Summary of new acquisitions in the year

On 19 February 2008, the parent company incorporated BSPEL Australia Limited. On 12 June 2008, the subsidiary acquired 100% of the issued share capital of Macquarie Private Capital Group ('MPCG'), an Australian Stock Exchange listed private equity company. After restructuring MPCG upon completion of the acquisition, BSPEL Australia Limited maintained 100% of Macquarie Private Capital Trust ('MPCT'). MPCT was previously a subsidiary of MPCG, and now owns 100% of the net assets once owned by MPCG and its other subsidiaries.

The acquired company contributed net investment income of £8,308 and net loss of £1,727,765 to the Group for the period from 12 June 2008 to 30 June 2008.

Details of the fair value of the assets and liabilities acquired are as follows:

Purchase consideration (refer to (b) below):

Cash paid	£50,492,062

Notes to the Financial Statements *(continued)*

7. SUBSIDIARIES (continued)

(b) Purchase consideration

	Company 2008 £'000
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration	50,257
Directly attributable costs of acquisition	235
	50,492
Less: Balances acquired	
Cash acquired	(137)
Net cash outflow- Group	50,355

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Carrying values £'000	Fair value £'000
Cash and cash equivalents	137	137
Financial assets held at fair value through profit and loss	73,690	73,690
	73,827	73,827
Less:		
Cash acquired		(137)
Other current liabilities		(22,301)
Minority interest acquired in Group combination		(1,034)
Net identifiable assets acquired		50,355

During the year, the Company has also made additional investments in BSPEL Migdal/Mezzanine Limited amounting to £5,246,630

The minority interest in BSPEL/MIGDAL Mezzanine Limited is owned by a single individual not associated with the Group. The minority interest in Hunter Acquisitions Limited is held by BSAM Private Equity Holdings, Inc (13.6 %), Chabrier & Associates (13.2%) and Tiger Migdal, L.P. (7.9%). The minority interest in Macquarie Alternative Investments Trust II is held by individuals not associated with the Group.

8. CASH AND CASH EQUIVALENTS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Current Account	13,789	15,469	12,523	15,233
Fixed Deposits	-	116,708	-	116,708
Total	**13,789**	**132,177**	**12,523**	**131,931**

Notes to the Financial Statements *(continued)*

9. LOANS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank of Scotland	26,009	14,876	-	-
Fortress Credit Corp	13,898	-	13,898	-
National Australia Bank	19,968	-	-	-
Total	**59,875**	**14,876**	**13,898**	**-**

The Group has entered into a Revolving Loan Facility with the Bank of Scotland. The facility is for €35,000,000 and may be drawn down in Euros, Sterling or US Dollars bearing interest at a rate of LIBOR, or if the loan is in Euro EURIBOR, plus 1.75%. The maturity date of the facility is 2 May 2012. The loan is secured over the Group's interest in the BoS Mezzanine Partners Fund, LP and its rights under the related limited partnership agreement. The fair value of BoS Mezzanine Partners Fund, LP at the year end was £72,771,000.

The Group has entered into a revolving loan facility agreement with Fortress Credit Corp. The facility is for US$ 100,000,000 and bears interest of US$ LIBOR + 500 bps on drawn amounts (which would have to be $55 million at all times), and 50 bps on undrawn amounts, has a term of four years (the facility cannot be prepaid in the first two years, but could be prepaid in year three with a 5% prepayment fee and prepaid without penalty in year four). The loan with Fortress is secured by the following investments;

	Carrying amount £'000
Hunter Acquisition Limited	23,601
BSPEL Australia Limited	50,716
BSPEL Mezzanine Funding Limited	37,587

The Group has entered into a cash advance facility with National Australia Bank, with a limit of AUS$60,000,000 to provide funding for the Group's over commitment strategy. Interest is payable using the BBSW rate plus between 0.25% and 0.50% per annum on the day of a drawdown. The terms of the facility are between one and two years with a decision to extending the facility on 30 April each year.

10. ZERO DIVIDEND PREFERENCE SHARES

The holders of the ZDP shares are entitled to a redemption amount of 41.5 pence per ZDP share as increased daily at such a daily compound rate as would give a final entitlement of 73.0 pence on 28 June 2013, the effective interest rate is 7%pa based on the placing price of 42.5 pence per ZDP share. ZDP Shares rank prior to the Equity Shares in respect of the repayment of their entitlement of up to 73 pence per ZDP Share. However, they rank behind any borrowings made by the Company that remain outstanding. They carry no entitlement to income and the whole of their return takes the form of capital.

ZDP shareholders will not be entitled to receive any part of the revenue profits, including any accumulated revenue reserves of the Company on a winding-up, even if the accrued capital entitlement of the ZDP Shares will not be met in full.

On 10 August 2007 the Company redeemed 3,375 ZDP Shares at 47.8 pence each.

On 29 January 2008 the Company purchased 274,882 ZDP Shares at 49.5 pence each. These shares are held in treasury.

At 30 June 2008 the carrying value of ZDP shares was 51.31 pence per share (2007: 47.81 pence per share).

Notes to the Financial Statements *(continued)*

11. ISSUED CAPITAL AND RESERVES

The Group's capital is represented by the shares outstanding. The primary investment objective is to achieve both short and long-term capital appreciation by investing in a well diversified portfolio of private equity fund interests purchased in the secondary market and sourced through the primary market. The Company also makes investments in individual companies by co-investing with private equity sponsors. These investments are generally illiquid and non-public.

The Group does not have any externally imposed capital requirements.

Authorised share capital

The authorised share capital of the company is £100 divided into 100 founder shares of £1 each, and an unlimited number of redeemable participating preference shares of no par value each, which may be issued and designated as US$ Equity Shares, Sterling Equity Shares, Euro Equity Shares, ZDP shares on any other shares (denominated in any currency) as may be determined by the Board from time to time in accordance with Article 3(4)(d) of the Company's Articles of Association.

Issued share capital

On 20 September 2006 the Company purchased 530,310 Equity shares at $1.19 (63.01p) each and the shares have been cancelled.

On 30 January 2007 the Company purchased 7,628,557 Equity shares at $1.45 (73.87p) each and the shares have been cancelled.

On 27 April 2007 the Company issued 201,867,774 Equity shares at $1.53 (77.95p) each. Deducted from these proceeds were costs attributable to the issue of £2,998,000.

On 10 August 2007 the Company purchased 3,597,890 Equity shares at $1.55 (76.6p) each and the shares have been cancelled.

Between 17 August 2007 and 24 August 2007, the Company purchased 1,130,000 Equity shares composed of 6 buy back transactions at an average price of $1.38 (68.7p) each and the shares have been cancelled.

On 2 May 2008 the Company made a tap issue of 8,743,857 Equity shares at $1.75 (88.8p) each. Deducted from these proceeds were costs attributable to the issue of £142,806.

Buy Back of Ordinary Shares and Authority to Buy Back Shares
At the Annual General Meeting of 20 December 2007, the shareholders entitled the Board of Directors in accordance with the Companies (Purchase of Own shares) Ordinance, 1998, to make market purchases (with the meaning of section 5 of the said ordinance) of equity shares and zero dividend preference shares, provided that the minimum number of shares authorized to be purchased is such number of shares as equates to 19,032,579 equity shares and 3,967,422 zero dividend preference shares or if less, such number as is equal to 14.99% per cent of the issued shares as at the date of passing this resolution.

The Directors intend to seek annual renewal of this authority from shareholders.

On 29 January 2008 the Company purchased 25,025,860 of its own Equity shares at $1.7 (85.7p) each. On 4 April 2008 and 11 April 2008, the company sold 17,847,750 and 5,780,346 at $1.72 (86.3p) and $1.73 (87.6p) respectively out of the treasury shares. Deducted from these proceeds were costs attributable to the issue of £117,926

The balance of shares held in treasury at the year end amount to 1,397,764 equity shares and 274,822 ZDP shares.

Notes to the Financial Statements *(continued)*

11. ISSUED CAPITAL AND RESERVES (continued)

The table below presents a summary of share capital movement in the year

	Ordinary Shares of £1 each		Equity Shares of 0.01p each		Total
	Number	£	Number	£	£
At 30 June 2006	100	100	96,317,359	9,631	9,731
Issued during year	-	-	201,867,774	20,187	20,187
Redeemed during year	-	-	(8,158,867)	(816)	(816)
At 30 June 2007	100	100	290,026,266	29,002	29,102
Issued during year	-	-	8,750,767	875	875
Redeemed during year	-	-	(4,727,890)	(472)	(472)
Treasury shares	-	-	(1,397,764)	(140)	(140)
At 30 June 2008	100	100	292,651,379	29,265	29,365

The Directors at their sole discretion may accept redemption requests for up to 15% of Equity shares during each financial year.

The Equity shares carry the right to receive all revenue profits of the Company (including accumulated revenue reserves) which are available for distribution and from time to time determined to be distributed by way of interim and/or final dividends and at such times as the directors may determine. On winding-up, Equity shareholders will be entitled to the net assets of the Company after any creditors have been paid and the accrued entitlement of the ZDP Shares has been met. In addition, the Equity shareholders will be entitled to receive any undistributed revenue profits including accumulated revenue reserves of the Company, subject to all creditors having been paid in full, even if the accrued capital entitlement of the ZDP Shares is not met in full.

Notes to the Financial Statements *(continued)*

11. ISSUED CAPITAL AND RESERVES (continued)

Issued share capital and Reserves	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Share capital	29	29	29	29
Share premium	7,636	154,329	7,636	154,329
Capital redemption reserve	4	1	4	1
Special reserve	200,869	51,291	200,869	51,291
Accumulated losses	(4,829)	(6,590)	(4,162)	(5,722)
Capital reserve	69,838	43,487	77,425	42,648
Currency translation reserve	(3,211)	(11,546)	(9,426)	(11,575)
Total attributable to shareholders of the Company	270,336	231,001	272,375	231,001
Minority Interest	22,867	6,059	-	-
Total	293,203	237,060	272,375	231,001

The special reserve arises from the reduction of share premium pursuant to a Special Shareholders' resolution on 17 June 2005 and approval by the Royal Court on 1 July 2005.

With confirmation of the Royal Court in Guernsey in January 2008, the amount standing to the credit of the Share Premium Account of the Company has been cancelled and credited to a distributable reserve which shall be able to be applied in any manner in which the Company's profits available for distribution are able to be applied, including the purchase of the Company's own shares and the payment of dividends.

The capital reserve arises from the net gains from the revaluation of investments.

The currency translation reserve arises from the translation of assets and liabilities from their functional currency to the presentation currency (Sterling).

The capital redemption reserve represents the transfer from distributable reserves to capital an amount equal to the nominal value of shares redeemed during the period.

Minority interest is the portion of net assets of BSPEL/Migdal Mezzanine Limited and Hunter Acquisitions Limited not owned by the Company or BSPEL Mezzanine Funding Limited.

The Company attempts to minimise any discount between the market price of its Equity Shares and the Company's net asset value per share through open market purchases of shares as well as through a bi-annual tender offer held at the discretion of the Directors. In either case, the Company may hold the acquired shares in its treasury and may re-issue such shares to the market at the current prevailing net asset value per share to avoid dilution of existing shareholders.

Notes to the Financial Statements *(continued)*

12. MATERIAL AGREEMENTS

The Manager, Bear Stearns Asset Management Inc. is entitled to a base management fee, payable monthly in arrears of 1.00 per cent. per annum of the Company's total assets. The management fee due payable at the end of the year was £508,491 (2007: £413,244). The Manager is also entitled to a performance fee if the aggregate Net Asset Value of the Equity Shares and the ZDP Shares at the end of the performance period exceeds (i) the aggregate Net Assets at the start of the performance period by more than 8 per cent and (ii) the highest previously recorded aggregate Net Asset Value of Equity and ZDP shares as at end of performance period of which performance fee was last paid.

The amount of such performance fee will be 7.5 per cent of the total increase in aggregate Net Asset Value above the performance hurdle. The performance fee due payable at the end of the year was £1,382,670 (2007: £1,990,965).

The Administrator is entitled to an annual fee in respect of administration and company secretarial services calculated on the Total Assets of the Company of 0.125 per cent. on the first $100 million, 0.1 per cent on the next $50 million, 0.075 per cent. on the next $50 million and 0.05 per cent on the balance subject to a minimum of $125,000. The fee is payable monthly in arrears. The administration fee due payable at the end of the year was £81,724 (2007: £30,021).

Due to the takeover of MPCG by BSPEL, there was a new Investment Management Agreement (IMA) entered into, and subsequently a new base management fee payable to Macquarie Investment Management Limited (MIML), the sub- investment manager of MPCG. For the period 13 June 2008 to 30 June 2008, this fee was calculated and paid by the Responsible Entity of MPCT to MIML. The remaining portion of the base fee is retained by Macquarie Private Capital Management Limited ('MPCM').

Previously, MIML received fees as manager of the Trust, MPCA and MPCB under the management agreements. The remuneration of MIML comprised a base management fee and a performance fee. In consideration for MIML providing services as specified by the management agreements, MIML was entitled to 60% of the base fee, or such other percentage as determined by the parties from time to time.

For the period 01 July 2007 to 12 June 2008, this fee was calculated and paid by MPCM the Responsible Entity of MPCT and prorated between MPCA, MPCB, MPCT in accordance with the original stapling agreement. The remaining portion of the base fee is retained by MPCM.

The base management fee was payable quarterly in arrears and is calculated as follows:
- 1.0% per annum of the Net Asset Value ("NAV") up to AU$300 million; plus
- 0.8% per annum of the Net Asset Value above AU$300 million and up to AU$600 million; plus
- 0.6% per annum of the Net Asset Value above AU$600 million;

NAV for any quarter equals the value of the MPCG investment portfolio less any external borrowings and other liabilities of the Group.

The base management fee was payable quarterly in arrears and is calculated as follows:
- 1.0% per annum of the Gross Asset Value

Gross value for any quarter means the total value of all the private equity assets of the Combined Portfolio.

For the period 01 July 2007 to 12 June 2008, MIML was entitled to a performance fee on the return of MPCT as a single entity. The performance fee is calculated annually in arrears for each financial year ending 30 June and equals 20% of the MPCG return above the benchmark of 10% per annum as stipulated in the offer document of MPCG.

From 13 June 2008, under the new IMA, MIML was entitled to a performance fee on the return of MPCT as a single entity. The performance fee is calculated on distributions, and is calculated as follows:

(a) Distributions of cash received (before any taxes that may be payable as a result of such distribution) through the disposition of, or dividends, interest or other income from or in respect of, the Combined Portfolio (Distributions) will be apportioned between the Manager and J.P. Morgan Private Equity Limited ("JPEL") in accordance with the following order of priority:

Notes to the Financial Statements *(continued)*

12. MATERIAL AGREEMENTS (continued)

(b) first, JPEL will be entitled to 100% of the Distributions until the cumulative Distributions equal the Contributed Capital;
(c) second, JPEL will be entitled to 100% of the Distributions until the cumulative Distributions under this clause (b) are sufficient to provide JPEL with an internal rate of return on JPEL's Contributed Capital of 8% per annum, compounded annually (the Preferred Return);
(d) third, the Manager will be entitled to 50% of the Distributions until the cumulative Distributions are sufficient to provide the Manager in aggregate, by way of performance fee, 3.75% of the cumulative Distributions made pursuant to clause (b) and this clause (c) (the Catch Up);
(e) fourth, JPEL will be entitled to 92.5% of the cumulative Distributions, and the Manager will be entitled to 7.5% of the cumulative Distributions by way of performance fee, after the Distributions in clause (a), (b) and (c) (the Split).

13. BASIC EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The basic and diluted earnings per share is based on the net gain for the year of £36,337,000 (2007: £30,740,000) for the Company and £28,112,000 for the Group (2007: £30,711,000). The weighted average number of Equity Shares in issue during the year for the Group and Company was 282,597,000 (2007: 128,146,257).

Weighted average number of ordinary shares

In thousands of shares	Note	2008
Issued shares at 30 June 2007	11	290,026
Effect of shares redeemed in August 2007	11	(438)
Effect of shares redeemed in January 2008	11	(10,833)
Effect of shares issued in April 2008	11	3,338
Effect of shares issued in May 2008	11	503
Weighted average number of ordinary shares at 30 June 2008		282,596

Weighted average number of ordinary shares

In thousands of shares	Note	2007
Issued shares at 1 July 2006	11	96,317
Effect of shares redeemed in September 2006	11	(411)
Effect of shares redeemed in January 2007	11	(3,156)
Effect of shares issued in April 2007	11	35,396
Weighted average number of ordinary shares at 30 June 2007		128,146

The Net Asset Value per share is based on the Net Asset Value for the year of £272,375,000 (2007: £231,001,000) for the Company and £270,336,000 for the Group (2007: £231,001,000). The total number of Equity Shares in issue during the year for the Group and Company was 292,651,379 (2007: 290,026,266).

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS

Market risk

Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and price risk.

The Group's strategy on the management of investment risk is driven by its investment objective. The primary investment objective is to achieve both short and long-term capital appreciation by investing in a well diversified portfolio of private equity fund interests purchased in the secondary market and sourced through the primary market. The Company also makes investments in individual companies by co-investing with private equity sponsors. These investments are generally illiquid and non-public. The Group's market risks are managed on an ongoing basis by the Manager in accordance with internal policies and procedures and are discussed with the Board of Directors on a quarterly basis.

The Manager works to mitigate risk by building a diversified portfolio, focusing on achieving a balance across managers, investment styles, industrial sectors, geographical focus and investment styles. The Manager will also seek to invest in funds created during different vintage years to dampen systemic economic conditions that may impact the private equity market in any given year. Details of the nature of the Group's investment portfolio at the balance sheet date are disclosed in the Investment Manager's report on page 17, under Investment Strategy.

The Manager invests on a highly selective basis and seeks opportunities with high quality private equity investment firms that have proven track records and capabilities. The Manager will validate a given firm's underlying investment thesis and evaluate its ability to successfully invest in private equity prior to proceeding with any investment. In addition, the Group's secondary investment strategy enables the Manager to evaluate specific private equity assets. This permits the Manager to diversify its portfolio at the company level as well as the fund manager level and to determine that assets are purchased at valuations acceptable to the Manager.

The Manager actively manages the investment portfolio by meeting with private equity sponsors to discuss current and prospective investments. In addition, each quarter the Manager evaluates private equity sponsor performance reports, valuations, financial health and current activities, and proactively engages them on any potential issues or underlying industry trends.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash and cash equivalents and floating rate debt obligations.

The Group has incurred, and expects to continue to incur, indebtedness to fund its liquidity needs and to potentially leverage certain investments. Due to the foregoing, the Company is, and believes that it will continue to be, exposed to risks associated with movements in prevailing interest rates. An increase in interest rates could make it more difficult or expensive for it to obtain debt financing, could negatively impact the values of fixed income investments, and could decrease the returns that investments generate or cause them to generate losses.

The Group is, and believes that it will continue to be, subject to additional risks associated with changes in prevailing interest rates due to the fact that its capital is, and will continue to be, invested in underlying portfolio companies whose capital structures have a significant degree of indebtedness. Investments in highly leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if money had not been borrowed. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for companies with comparably less debt.

As at 30 June 2008, all of the Company's direct corporate borrowings were drawn from its US$100 million secured credit facility. The Company had drawn $30 million through the end of the fiscal year, with $70 million in undrawn capacity. This capital is floating rate debt, and the interest expenses incurred from these borrowings are based on the US London Interbank Offer Rate (LIBOR).

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

The Group has non-recourse indebtedness of £26,009,000 (2007: £14,876,000) and A$ 41,500,000 (2007: Nil) through its BSPEL/MIGDAL Mezzanine Limited and BSPEL Australia Limited subsidiaries which have been consolidated on the Company's balance sheet. Both credit facilities are available in multiple currencies and therefore borrow funds that are tied to US LIBOR, GBP LIBOR, EURIBOR, and the Australian Bank Bill Swap Rate.

The majority of the Group's assets are non interest bearing, however the assets that do have interest rate exposure are primarily related to investments in mezzanine and special situation private equity funds. In addition, excess cash held by the Group may be invested in short-term fixed deposit accounts that are rolled over on a weekly basis and are impacted by interest rate fluctuations as such giving the Group variable loans and cash deposits. It is not significantly exposed to its interest rate risk on its assets and liabilities.

The Company also maintains Zero Dividend Preference shares ("ZDP Shares") at a fixed rate, and is therefore not impacted by interest rate fluctuations. The market value of the ZDP Shares from time to time will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the ZDP Shares.

The Group's exposure to interest rate risk is managed on an ongoing basis by the Investment Manager in accordance with its internal policies. Recourse on external borrowings will only be undertaken if the Directors and the Manager consider the prevailing interest rates favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objective and policy of the Company. Such borrowings are also limited in size by the Group's internal policies, as the Group's Directors have restricted aggregate borrowings to 20 per cent of the Adjusted Total Capital and Reserves of the Company. As a result, the Manager may forgo investments that are highly levered, thereby presenting additional interest rate risk.

The Group's overall interest risks and day-to-day decision making are managed on an ongoing basis by the Manager. The Board of Directors is consulted on a quarterly basis, or more frequently as the case may be.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Group 2008

Assets	Less than 1 month £'000	1- 3 Months £'000	3 months to 1 year £'000	Fixed interest rate £'000	Non interest bearing £'000	Total £'000
Designated at fair value through profit or loss upon initial derecognition:						
Equities	-	-	-	-	374,159	374,159
Loans and receivables						
Cash and cash equivalents	13,789	-	-	-	-	13,789
Other receivables	-	-	-	-	2,092	2,092
Total assets	13,789	-	-	-	376,251	390,040
Liabilities						
Designated at fair value through profit or loss – held for trading						
Derivative financial instruments	(255)	-	-	-	-	(255)
Financial liabilities measured at amortised cost						
Accounts payable	-	-	-	-	(6,332)	(6,332)
Loans	(59,875)	-	-	-	-	(59,875)
ZDP shares	-	-	-	(30,375)	-	(30,375)
Total liabilities	(60,130)	-	-	(30,375)	(6,332)	(96,837)
Total interest sensitivity gap	(46,341)	-	-			

Group 2007

Assets	Less than 1 month £'000	1- 3 Months £'000	3 months to 1 year £'000	Fixed interest rate £'000	Non interest bearing £'000	Total £'000
Designated at fair value through profit or loss upon initial derecognition:						
Equities	-	-	-	-	150,460	150,460
Loans and receivables	-	-	-	-	-	-
Cash and cash equivalents	132,177	-	-	-	-	132,177
Other receivables	-	-	-	-	500	500
Total assets	132,177	-	-	-	150,960	283,137
Liabilities						
Financial liabilities measured at amortised cost						
Accounts payable	-	-	-	-	(2,768)	(2,768)
Loans	(14,876)	-	-	-	-	(14,876)
ZDP shares	-	-	-	(28,433)	-	(28,433)
Total liabilities	(14,876)	-	-	(28,433)	(2,768)	(46,077)
Total interest sensitivity gap	117,301	-	-			

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Company 2008

Assets	Less than 1 month £'000	1- 3 Months £'000	3 months to 1 year £'000	Fixed interest rate £'000	Non interest bearing £'000	Total £'000
Designated at fair value through profit or loss upon initial derecognition:						
Equities	-	-	-	-	307,855	307,855
Loans and receivables						
Cash and cash equivalents	12,523	-	-	-	-	12,523
Other receivables	-	-	-	-	529	529
Total assets	12,523	-	-	-	308,834	320,907
Liabilities						
Designated at fair value through profit or loss – held for trading						
Derivative financial instruments	(27)	-	-	-	-	(27)
Financial liabilities measured at amortised cost						
Accounts payable	-	-	-	-	(4,232)	(4,232)
Loans	(13,898)	-	-	-	-	(13,898)
ZDP shares	-	-	-	(30,375)	-	(30,375)
Total liabilities	(13,925)	-	-	(30,375)	(4,232)	(48,532)
Total interest sensitivity gap	(1,402)	-	-			

Company 2007

Assets	Less than 1 month £'000	1- 3 Months £'000	3 months to 1 year £'000	Fixed interest rate £'000	Non interest bearing £'000	Total £'000
Designated at fair value through profit or loss upon initial derecognition:						
Equities	-	-	-	-	105,401	129,633
Loans and receivables						
Cash and cash equivalents	131,931	-	-	-	-	131,931
Other receivables	-	-	-	-	500	500
Total assets	131,931	-	-	-	105,901	262,064
Liabilities						
Financial liabilities measured at amortised cost						
Accounts payable	-	-	-	-	(2,630)	(2,630)
ZDP shares	-	-	-	(28,433)	-	(28,433)
Total liabilities	-	-	-	(28,433)	(2,630)	(31,063)
Total interest sensitivity gap	131,931	-	-			

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

An increase in 100 basis points in interest rates as at the reporting date would have increased shareholders equity by:

	2008 £'000	2007 £'000
Company	14	1,319
Group	463	1,173

A decrease of 100 basis points would have had an equal but opposite effect.

The Manager believes that the sensitivity analysis described above may not be indicative of the Group's aggregate interest rate exposure, as the Manager can only provide a sensitivity analysis based on its own consolidated balance sheet. The Manager cannot fully ascertain the overall exposure of each underlying limited partnership and their respective portfolio companies. Moreover, the average outstanding loan and cash balances for the fiscal year ending 30 June 2009 may differ materially from the fiscal year ending 30 June 2008, which would impact the results of the sensitivity analysis.

Currency risk

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of the Company's assets and liabilities, the Net Asset Value and the market price of the Equity Shares. As at 30 June 2008, the Company's functional currency is the US Dollar. As a result, the investments that are carried as assets in its financial statements will be stated in US Dollars although it maintains investments in Euros, Sterling, Australian Dollars, and other currencies, and may invest in financial instruments and enter into transactions denominated in currencies other than US Dollars.

When valuing investments that are denominated in currencies other than the functional currency of the subsidiary which owns the investment, the Company is required to convert the values of such investments into its functional currency based on prevailing exchange rates as at the end of the applicable accounting period. Changes in exchange rates between the functional currency and other currencies could lead to significant changes in the Net Asset Values that the Group reports from time to time and could subject such Net Asset Values to favorable or unfavorable fluctuations. Among the factors that may affect currency values are trade balances, levels of short term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

The Group currently has currency hedges in place to partially mitigate fluctuations in its foreign exchange exposure. The Manager may engage in currency hedging to limit the Group's exposure to currency fluctuations. Currency hedging by the Manager may be by means of spot and forward foreign exchange contracts or options on such contracts or by using such other derivative instruments as may be available and having the same or similar effect. There can be no assurance that currency hedging will be effective and that the Company's financial condition will not be adversely affected by fluctuations in currency exchange rates.

A substantial portion of the Company's underlying investments are denominated in the Euro, Australian Dollar, and US Dollar. Any distributions in respect of the ZDP Shares will be made in Sterling and the market prices and Net Asset Values of the ZDP Shares will be reported in Sterling. Any distributions in respect of the Equity Shares have been made in US Dollars and the market prices and Net Asset Values of the Equity Shares will be reported in US Dollars.

The Manager considers currency risk when making investments into non-US Dollar denominated assets and monitors currency movements on an ongoing basis. The Manager discusses its policies with the Board of Directors on a quarterly basis and may choose to alter its asset allocation or currency risk strategies as a result in their absolute discretion.

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

At the reporting date the Group and company had the following foreign currency risk exposure:

Currency	Group		Company	
	2008	2007	2008	2007
Euro	40%	32%	28%	27%
Sterling pound	(9%)	(13%)	(8%)	(10%)
Australian Dollar	11%	-	18%	-
Yen	-	1%	-	1%
Norwegian Krona	-	2%	-	2%

The following table sets out the Group's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

Group- 2008

	Monetary assets	Monetary liabilities	Forward FX contracts	Net exposure
	£'000	£'000	£'000	£'000
Euro	159,020	(19,219)	(23,658)	116,143
Sterling pound	10,912	(37,850)	-	(26,938)
Australian Dollar	46,273	(22,160)	9,375	33,488
Yen	1,150	-	-	1,150
Norwegian Krona	1,327	-	-	1,327

Group- 2007

	Monetary assets	Monetary liabilities	Forward FX contracts	Net exposure
	£'000	£'000	£'000	£'000
Euro	61,533	(6,566)	-	54,967
Sterling pound	5,737	(35,975)	-	(30,238)
Australian Dollar	-	-	-	-
Yen	2,482	-	-	2,482
Norwegian Krona	3,631	-	-	3,631

Company- 2008

	Monetary assets	Monetary liabilities	Forward FX contracts	Net exposure
	£'000	£'000	£'000	£'000
Euro	102,389	(1,207)	(23,658)	77,524
Sterling pound	9,484	(30,425)	-	(20,941)
Australian Dollar	50,716	(410)	-	50,306
Yen	1,150	-	-	1,150
Norwegian Krona	1,327	-	-	1,327

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

Company- 2007

	Monetary assets	Monetary liabilities	Forward FX contracts	Net exposure
	£'000	£'000	£'000	£'000
Euro	61,533	-	-	61,533
Sterling pound	5,737	(28,433)	-	(22,696)
Australian Dollar	-	-	-	-
Yen	2,482	-	-	2,482
Norwegian Krona	3,631	-	-	3,631

Amounts on the above table are based on the carrying value of monetary assets and liabilities and the underlying principal amount of forward currency contracts.

At the year end, had the US Dollar strengthened by 5% in relation to all other currencies, with all other variables held constant, shareholders equity would have decreased/(increased) by the amounts shown below:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Euro	5,807	3,802	3,876	3,077
Sterling pound	(1,347)	(1,512)	(1,047)	(1,135)
Australian Dollar	1,674	-	2,515	-
Yen	57	124	58	124
Norwegian Krona	66	182	66	182
Total	6,257	2,596	5,468	2,248

A 5% weakening of the sterling pound against the above currencies would have resulted in an equal but opposite effect on the above financial statements above to the amounts shown above, on the basis that all other variables remain constant.

Other price risk

Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in that market. As the Group's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market condition will directly affect Net gains on investments and Net Asset Value.

The valuation of unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Group does not currently hedge the price risk inherent in the portfolio, but actively pursues investment opportunities that are acquired at what the Manager believes to be relatively attractive purchase multiples and may therefore be less susceptible to negative fluctuations in fair value calculations. In addition, the Manger consults with a variety of other private equity investors and industry experts to better ascertain fair value pricing before proceeding with an investment, and may also refrain from making commitments to funds that are acquiring assets at relatively expensive valuations. Moreover, the Manager seeks to maximise the diversification of its portfolio by investment type, investment strategy, vintage year, geography, and industry in an effort to minimise the impact of fluctuations in value of any single investment. The Manager monitors price risk and consults with the Board of Directors on a quarterly basis, or more frequently as the case may be.

The Group also has exposure to assets that are publicly traded on various equity markets. These represent 6.9% of the Group's portfolio value as at 30 June 2008. Under IFRS, the Company is required to value investments in traded securities at their fair value at the end of each accounting period, which could lead to significant changes in the Net Asset Values and results of operations that the Company reports from quarter to quarter. The Manager believes these assets will continue to make up a minority position in the portfolio.

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Other price risk (continued)

A 5% increase in the value of the investments as at 30 June 2008 would have increased the Company and Group's shareholders' equity by £15,392,708 and £18,707,935 respectively; an equal change in the opposite direction would have decreased shareholders' equity by an equal but opposite amount.

Credit risk

Credit risk is the risk that an issuer or counter party will be unable or unwilling to meet a commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short term to maturity.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Investments in private equity instruments	374,159	150,460	307,855	129,633
Cash and cash equivalents	13,789	132,177	12,523	131,931
Interest, and other receivables	2,092	500	529	500
Total	390,040	283,137	320,907	262,064

In respect of credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks substantially all of the Group's cash is maintained with HSBC Private Bank (CI) Ltd and ING Luxembourg SA. In addition, the Investment Manager monitors the financial position of both banks on an ongoing basis by reviewing earnings releases. In the event that that the credit quality of either bank deteriorates significantly the Investment Manager will move the cash holdings to another bank.

Substantially all of the assets of the Group are held by HSBC Private Bank (CI) Ltd. Bankruptcy or insolvency of the custodian may cause the Group's rights with respect to securities held by the custodian to be delayed or limited. The Group monitors its risk by monitoring the credit quality and financial position of the custodian the Group uses.

The Group's exposure to credit risk is managed on an ongoing basis by the Investment Manager. The Group's overall credit risk is managed on a quarterly basis by the Board of Directors.

Liquidity risk

The Group's financial instruments primarily include investments in unlisted equity investments that are not publicly traded and therefore may be illiquid. As a result the Group may not be able to liquidate some of its investments in these instruments at an amount close to their fair value should such liquidation be necessary to meet liquidity requirements, including the need to meet outstanding undrawn commitments.

The Group's exposure to liquidity risk is actively managed and monitored on an ongoing basis by the Manager, and by the Board of Directors on a quarterly basis. The Manager frequently consults with its underlying fund managers about upcoming capital requirements as well as potential exit and other monetisation events. Allocations to new investments take into consideration the near-term capital needs within the Group's broader private equity portfolio. Where the Manager believes there may be upcoming liquidity requirements, it will take necessary action to ensure that adequate funds are available.

The Group's liquidity may also be impacted by its existing tender offer facility. While any tender of shares is offered at the Board's sole discretion, in the event that the facility is utilised, it may require the use of a material amount of excess cash that the Group may otherwise be able to invest in private equity or reduce outstanding indebtedness.

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Group has entered into a US$ 100,000,000 revolving loan facility agreement with Fortress Credit Corp. for up to four years which will provide the Group with both short-term and long-term liquidity. Per the credit agreement, the Group and the lender monitor the loan covenants on a quarterly basis. As of 30 June 2008, the Group was in compliance with all such covenants.

The Group also maintains cash and cash equivalents in excess of what the Manager believes will be required in the coming quarters. The Manager pursues an investment strategy with respect to all uninvested cash in the Company Portfolio that is designed to balance the need for appropriate liquidity to meet its present and future private equity commitment obligations with the desire to increase the returns of the Group Portfolio. The majority of available cash is invested in fixed deposits with rolling seven-day contracts

The investment commitments presented in note 5 represent commitments to purchase interests in assets as such time as the managers of those assets request. The precise timing of future calls, and whether such calls will be made at all, is at the discretion of the investment managers of each individual asset within the investment portfolio.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group 2008

Financial liabilities	Less than 1 month £'000	1-3 Months £'000	3 months to 1 year £'000	More than 1 year £'000	No stated Maturity £'000
Total gross commitments	-	-	-	-	452,306
Less: funded commitments	-	-	-	-	335,461
Net unfunded commitments					116,845
Accrued expenses	6,332	-	-	-	-
Net settled derivatives	228	27	-	-	-
Loans	-	-	-	56,875	-
ZDP shares	-	-	-	30,375	-
	6,560	27	-	90,250	116,845

Group 2007

Financial liabilities	Less than 1 month £'000	1-3 Months £'000	3 months to 1 year £'000	More than 1 year £'000	No stated Maturity £'000
Total gross commitments	-	-	-	-	183,686
Less: funded commitments	-	-	-	-	128,900
Net unfunded commitments	-	-	-	-	54,786
Accrued expenses	2,768	-	-	-	-
Loans	-	-	-	14,876	-
ZDP shares	-	-	-	28,433	-
	2,768	-	-	43,309	54,786

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Company 2008

Financial liabilities	Less than 1 month £'000	1-3 Months £'000	3 months to 1 year £'000	More than 1 year £'000	No stated Maturity £'000
Total gross commitments	-	-	-	-	392,077
Less: funded commitments	-	-	-	-	291,098
Net unfunded commitments	-	-	-	-	100,979
Accrued expenses	4,232	-	-	-	-
Net settled derivatives	-	27	-	-	-
Loans	-	-	-	13,898	-
ZDP shares	-	-	-	30,375	-
	4,232	27	-	44,273	100,979

Company 2007

Financial liabilities	Less than 1 month £'000	1-3 Months £'000	3 months to 1 year £'000	More than 1 year £'000	No stated Maturity £'000
Total gross commitments	-	-	-	-	183,686
Less: funded commitments	-	-	-	-	128,900
Net unfunded commitments	-	-	-	-	54,786
Accounts payable	2,630	-	-	-	-
ZDP shares	-	-	-	28,433	-
	2,630	-	-	28,433	54,786

Other risks

The Company is exposed to various other risks with respect to its investments. A summary of these risks is as follows:

(a) Valuation risk
All valuations of the private equity funds and similar investments incorporated in the Group's reported net asset value are made, in part, on valuation information provided by the managers of investments in the Company's portfolio. Although the Manager evaluates all such information and data, the Manager is generally not in a position to confirm the completeness, genuineness or accuracy of such information or data. Moreover, financial reports typically provided to the Manager are provided only on a quarterly or half-yearly basis and generally are issued one to four months after the respective valuation dates. As a result of this delay, the valuations incorporated in the Group's reported net asset value may from time to time fail to accurately state the true current aggregate value of the investments of the Group.

(b) Reliance on Investment Manager
Quality and execution of management is key to a successful business development. The Group will be relying on the Investment Manager and its ability to evaluate investment opportunities and to further develop the Company's investments. The Investment Manager exercises a central role in the investment decision process. Accordingly the returns of the Group will primarily depend on the performance and abilities of the Investment Manager.

(c) Political and /or regulatory risk
The net asset value of the Group's assets may be affected by uncertainties such as international political developments, changes in governmental policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the Company's assets are invested.

Notes to the Financial Statements *(continued)*

14. FINANCIAL INSTRUMENTS (continued)

Fair values

The fair value of financial assets and liabilities is not materially different from their carrying values in the financial statements. For unquoted fund investments, the value is generally the most recent valuation placed on a fund by the respective private equity manager. The valuation policies used by the underlying private equity managers in undertaking such valuations are in line with the recommendations of either the International Private Equity Venture Capital Group (IPEVCG) or standard industry practice. However, the Investment Manager may recommend that an adjustment to such valuations be made if necessary to reflect changes in the value of publicly traded portfolio companies comprised in the relevant fund's portfolio and for cash flows between the Group and the fund(s) concerned which occur between the private equity manager's valuation date and the Group's quarterly valuation dates. Moreover, on occasion, the Group may depart from this policy in certain instances where (i) the Investment Manager may recommend an upwards or downwards adjustment if in its opinion the adjustment made or proposed by the relevant private equity manager is not prudent; (ii) the Investment Manager may recommend an upwards or downward adjustment to the valuation of a fund interest which has been made or proposed by the private equity manager if the Investment Manager receives relevant information which has not been previously provided by the private equity manager or if the Investment Manager forms a different and more cautious view than that held by the private equity manager; and (iii) the Investment Manager may recommend that the Group make an upward adjustment to the valuation of a fund interest in the Company Portfolio which has not been made or proposed by the private equity manager if the Investment Manager receives relevant information that has occurred subsequent to the issuance of the general partner valuation, such as in cases of announcements of the pending public offering or sale of a portfolio company.

The Group may also acquire secondary interests at either a premium or a discount to the respective private equity sponsor's valuation by following the valuation guidelines of the IPEVCG. The Group will maintain values for any secondary interests at the price at which they were purchased until the receipt of the first valuation report from the respective private equity sponsor after the date of acquisition, at which point the acquired interests will be valued according to the Company's standard ongoing valuation methodology.

The carrying value of all accounts payable, accrued expenses and other liabilities approximate fair value due to the immediate or short-term nature of these investments. The fair value of the Group's floating interest rate loan is calculated by discounting back cash flows using the effective interest rate, and such fair value is not materially different from the carrying value, which is payable at maturity on 8 May 2012. The carrying value of the ZDPs is not materially different to its fair value as determined by its quoted share price.

15. RELATED PARTY TRANSACTIONS

Mr. Sanabria was until the date of his retirement on 12 October 2007, was a Senior Managing Director of Bear Stearns Asset Management Inc., the Manager to the Group.

Mr. Duncan, who was appointed as a Director on 12 October 2007 was a Senior Managing Director of Bear Stearns Asset Management Inc., the Manager to the Group and a subsidiary of JPMorgan Chase & Co.

The Directors do not hold directly or indirectly shares in the Group.

From 1 January 2007 Mr. Ash is entitled to receive Directors fees of £25,000 per annum (previously £20,000), Mr. Loudon and Mr. Spencer are each entitled to receive Directors fees of £20,000 per annum (previously £15,000).

At the inception of the Company, the Group acquired 20 investments in an initial Transfer Portfolio from The Bear Stearns Companies Inc ("TBSCI"). The private equity sponsors of two of the funds included in the initial transfer portfolio, Doughty Hanson, L.P. and Providence Equity Partners IV, L.P., did not consent to an outright transfer of limited partnership interests from TBSCI to the Group. As such, agreements were entered into by TBSCI and the Group for the transfer of economic benefits, risks and rewards of ownership of the two funds, from TBSCI to the Group, while TBSCI still remaining as the invested limited partnership in those two funds (the agreements defined in the listing particulars of the Group as Economic Transfer Agreements). This constitutes a related party transaction under the listing rules of the UK Listing Authority as TBSCI is an affiliate of the Manager of the Group. At 30 June 2008 the fair value for Doughty Hanson, L.P. was £1,235,000 (2007: £592,000) and Providence Equity Partners IV, L.P was £2,043,000 (2007: £1,659,000).

Notes to the Financial Statements *(continued)*

15. RELATED PARTY TRANSACTIONS (continued)

On 30 November 2007, the Group acquired an additional Portfolio of 14 investments primarily focused on the distressed, turnaround and restructuring sector within the private equity market (The Distressed Transfer Portfolio) from TBSCI an affiliate of the manager of the Group. The Manager believes The Distressed Transfer Portfolio benefits the Group in a number of ways as outlined in the Circular provided to shareholders on 9 November 2007. An Extraordinary General Meeting (EGM) was held on 28 November 2007 in which the Company's shareholders approved the acquisition of the portfolio of assets. The EGM was required under the listing rules of the UK Listing authority as TBSCI is an affiliate of the Manager of the Group, and as such, the transfer constitutes a related party transaction.

On 11 March 2008, the Group acquired a secondary market interest in Bear Stearns Private Opportunity Ventures, L.P., a fund affiliated with the manager of the Group. The transfer and sale of the interest did not require an EGM as the seller of the secondary market interest was an independent third party.

In order to minimize the currency exchange risks on the Company's non-U.S. dollar denominated investment positions (as per the Company's policy as stated in its prospectus), BSAM, acting on behalf of the Company (as permitted by the Investment Management Agreement between the Company and BSAM Inc.), entered into an arms' length OTC Foreign Exchange Transaction contract ("FX Transaction") with its affiliate, Bear, Stearns Forex, Inc. ("Bear Forex") as principal. Accordingly, Bear Forex acted as the Company's counterparty in connection with a forward contract on this FX Transaction with the Company on market terms.

However, Bear Forex did not receive any "spread" or profit on the transaction as would be customary between unaffiliated organizations. Of note, the Company has also engaged unaffiliated counterparties in connection with foreign currency hedging. As stated in the Company's prospectus, hedging practices may be carried out at any point in time to reduce the risk, as far as possible, of currency fluctuations and the volatility of returns which may result from such currency exposure. This may involve the use of forward foreign exchange contracts. Currency hedging transactions will only be undertaken in order to mitigate exchange rate exposure and not for speculative purposes.

16. POST BALANCE SHEET EVENTS

Subsequent to the year end, HSBC Private Bank (C.I.) Limited provided the Group with a €50,000,000 Foreign Exchange Forward Facility.

On 30 July 2008, the Group purchased an interest in Special Situations Realty Partners III, LP ('SSRP') for approximately €1.39 million. SSRP is managed by German based Orlando Real Estate GMBH and is a real estate opportunities fund targeting special situations in German speaking countries.

On 31 July 2008, the Group drew an additional US$36 million under its existing US$100 Million credit facility with Fortress Credit Corp., meeting the minimum drawn amount per the terms of the credit agreement.

On 6 August 2008, the Group tendered the following shares at the applicable Net Asset Value per share as at 30 June 2008:

- 18,478,066 equity shares at a price of US$ 1.85 per share; and
- 1,233,836 zero dividend preference shares at a price of 51.31pence per share.

On 2 September 2008, the Company sold 1,508,658 ZDP shares out of treasury shares held at a price of 52.50 pence per share. The Company also made a tap issue of 5,947,165 ZDP shares at a price of 52.50 pence per share.

DIRECTORS:	Trevor Charles Ash (Chairman) Troy Duncan John Loudon Christopher Paul Spencer
INVESTMENT MANAGER (as to the Private Equity Portfolio and as to the Enhanced Cash Management Strategy):	BEAR STEARNS ASSET MANAGEMENT INC. c/o J.P. Morgan Asset Management 237 Park Avenue New York New York 10179 United States of America
ADMINISTRATOR AND COMPANY SECRETARY:	HSBC MANAGEMENT (GUERNSEY) LIMITED St Martins House Le Bordage St Peter Port Guernsey GY1 1BP
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