

**J.P. Morgan Private Equity Limited**  
**Annual Report and Consolidated Financial Statements**  
**for the year ended 30 June 2011**

## Table of Contents

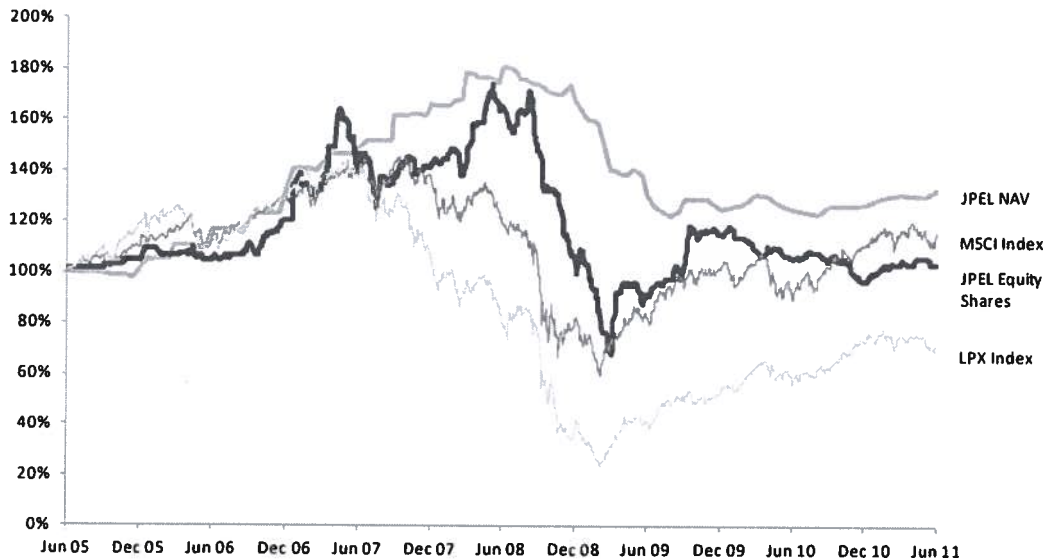
	Page Number
Financial Summary	2
Historical Performance	3
Overview & Strategy	5
Chairman's Statement	6
Corporate Actions	10
Managers' Report	12
Market Overview	12
2011 Investment Activity	15
Portfolio Review	16
Portfolio Review: Co-Investment Portfolio Acquisition	19
Capital Calls and Distributions	21
Currency Exposure	22
Top 20 Funds & Companies Information	23
Top 10 Investments	24
Investment Policy	26
Directors' Report	27
Independent Auditor's Report	32
Consolidated Financial Statements:	34
Consolidated Statement of Comprehensive Income	34
Consolidated Statement of Financial Position	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cashflows	38
Notes to the Consolidated Financial Statements	39

## Financial Summary (Company Information)

	30 June 2011
<b>US\$ Equity Shares</b>	
NAV per Share	\$1.36
Share Price	\$1.09
Shares in Issuance	356.9m
<b>2013 ZDP Shares</b>	
NAV per Share <sup>1</sup>	63.41p
Share Price	67.13p
Shares in Issuance	63.3m
<b>2015 ZDP Shares</b>	
NAV per Share <sup>1</sup>	60.11p
Share Price	68.63p
Shares in Issuance	68.6m
<b>Statement of Financial Position (extract)</b>	
Investments at Fair Market Value	\$659.6m
Bank Deposits	\$37.0m
Other Assets <sup>2</sup>	\$3.5m
Credit Facility <sup>3</sup>	(\$74.2m)
Other Liabilities <sup>4</sup>	(\$11.5m)
<b>Total Net Asset Value<sup>5</sup></b>	<b>\$614.4m</b>

## Performance as at 30 June 2011

JPEL Performance Since Inception at 30 June 2005<sup>6</sup>



Past performance is not an indication of future performance.

1. Throughout the document, the term Net Asset Value per share or "NAV per Share" for each of JPEL's two classes of Zero Dividend Preference Shares (2013 ZDP Shares and 2015 ZDP Shares) refers to the carrying value of the ZDP shares as at 30 June 2011. ZDP shareholders are entitled to a redemption amount that is increased daily at such a daily compound rate as would give a final entitlement as referenced in Note 14 to the Consolidated Financial Statements page 65 and 66.

2. Includes accrued interest income and derivative assets.

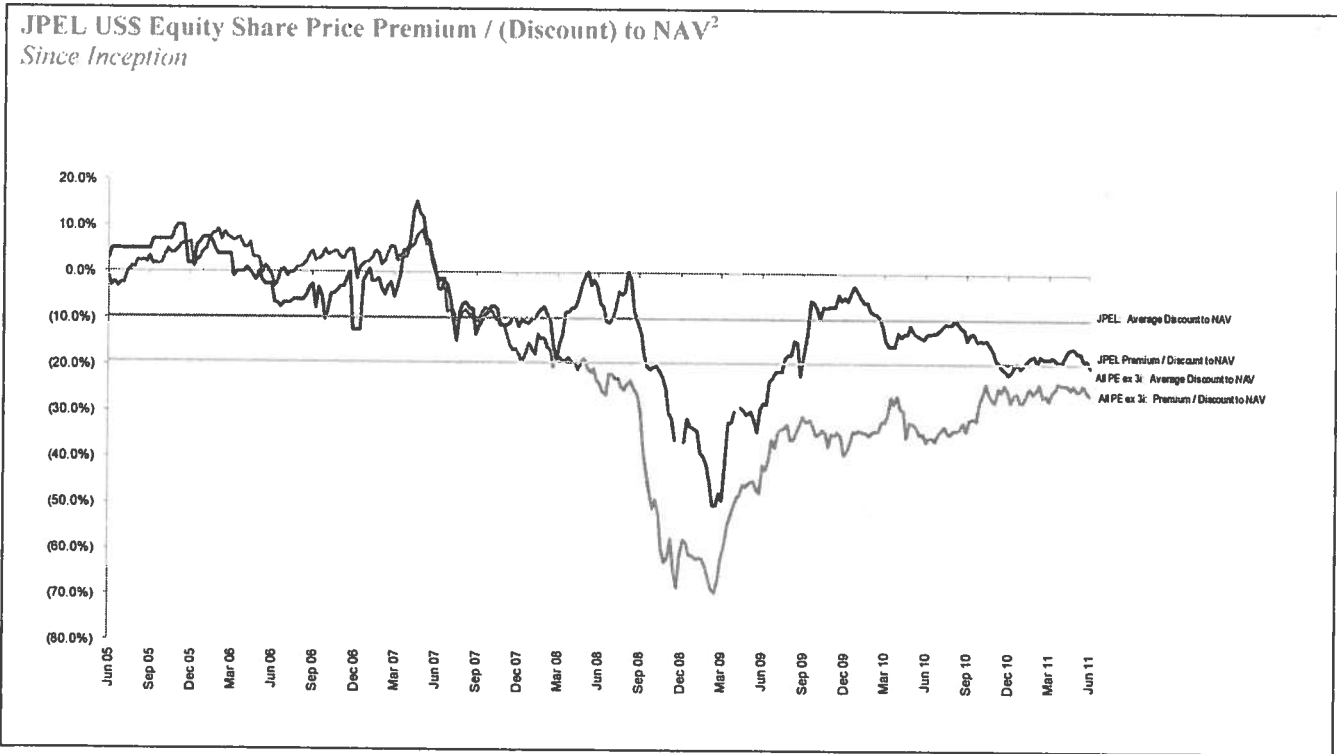
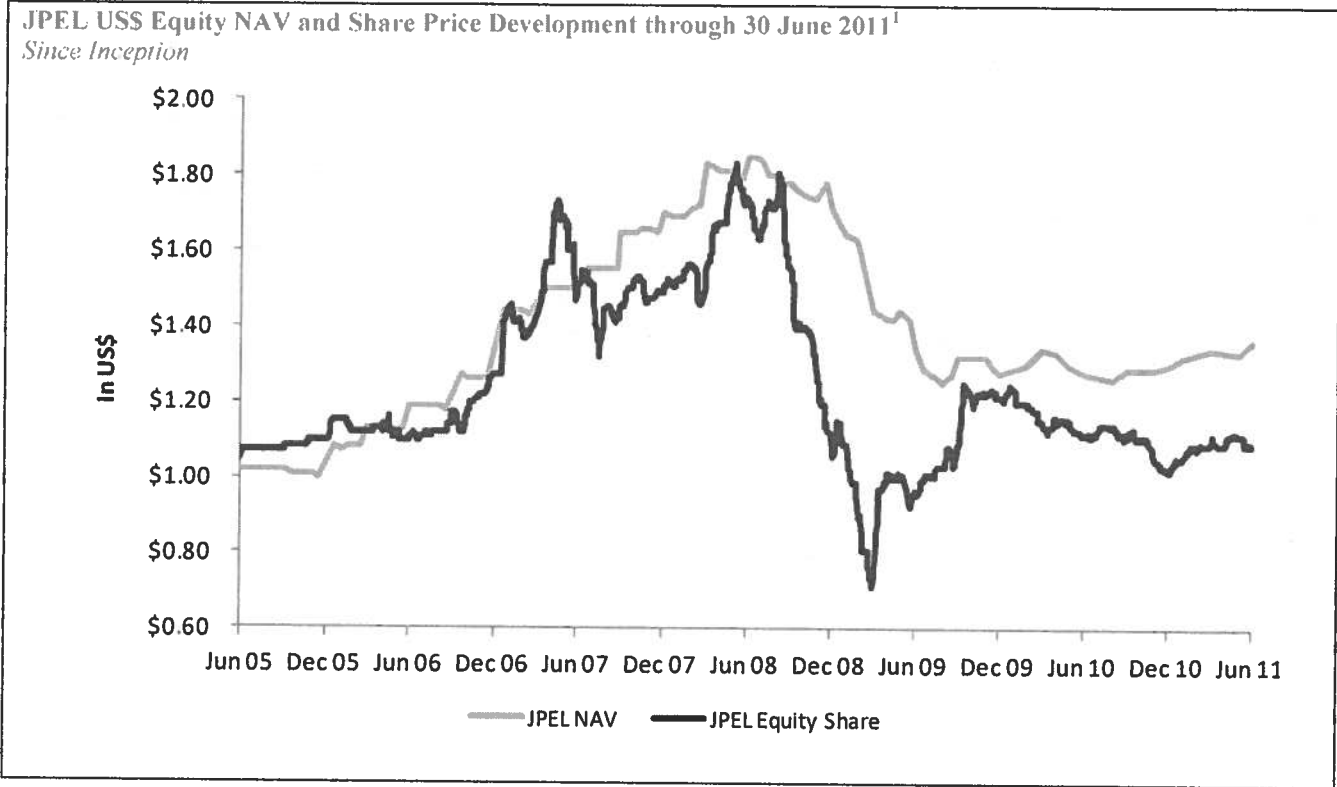
3. On 10 March 2011, JPEL entered into a multi-currency credit facility in the amount of US\$150 million with Lloyds Bank Corporate Markets.

4. Includes fee accruals and other payables.

5. Information presented as non-consolidated. The Net Asset Value represents the capital of the Company which includes the Net Asset Value of the ZDP shares as well as the Net Asset Value of the US\$ Equity Shares.

6. Source: Managers, Bloomberg as at 30 June 2011. JPEL NAV data as at 30 June 2011, released via the London Stock Exchange on 1<sup>st</sup> August 2011. LPX Composite performance shown is indexed to JPEL's initial trade price of \$1.07 on 30 June 2005. 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 LPX Composite is a global Listed Private Equity ("LPE") index with a broad number of constituents.

**Historical Performance**

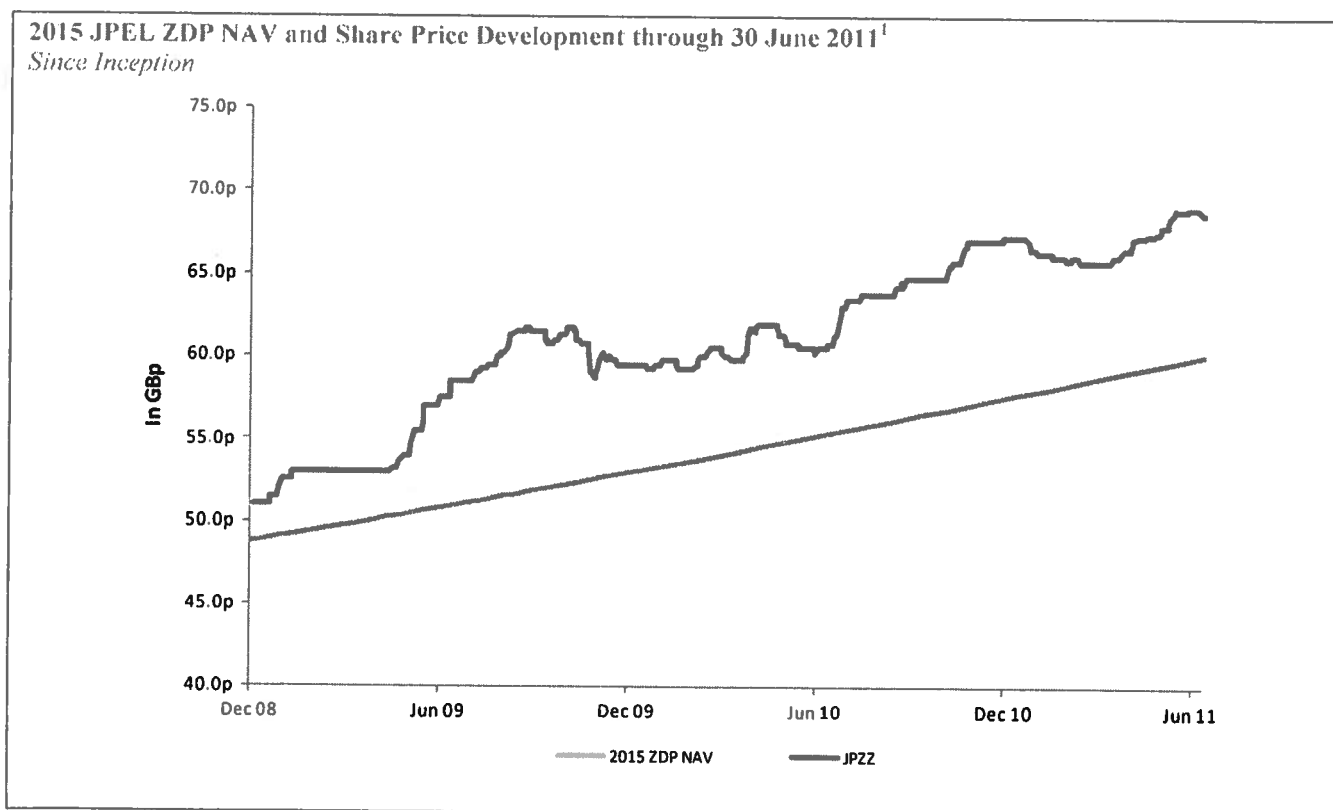
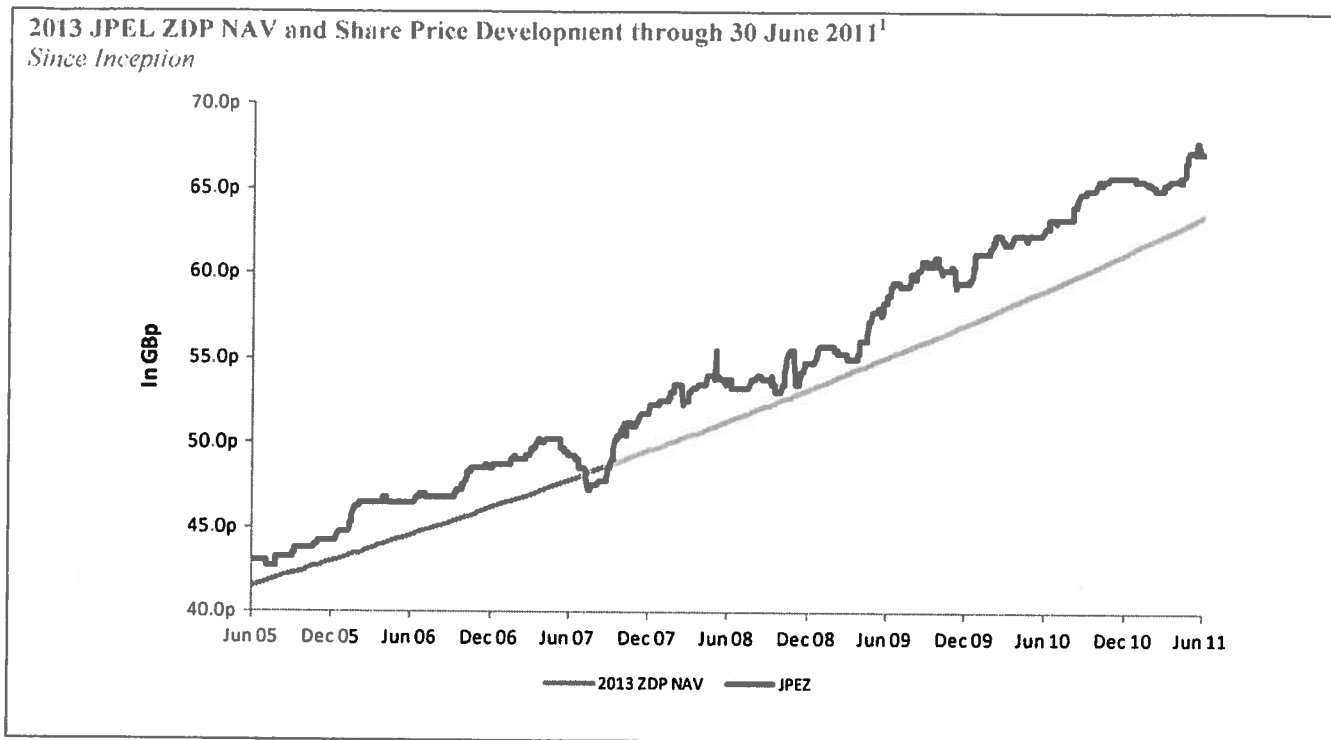


<sup>1</sup> Source: Bloomberg, Managers. As at 30 June 2011.

<sup>2</sup> Source: Bloomberg, Managers. Morningstar Investment Trust Private Equity ex 3i Unweighted Discount as at 30 June 2011. JPEL NAV as at 30 June 2011 of \$1.36 per USS Equity Share

Past performance is not an indication of future performance.

## Historical Performance (continued)



<sup>1</sup> Source: Bloomberg, Managers. As at 30 June 2011.  
 Past performance is not an indication of future performance.

## Overview & Strategy

J.P. Morgan Private Equity Limited (“JPEL” or the “Company”) is a Guernsey registered and incorporated closed ended investment company that trades on the London Stock Exchange (LSE: JPEL, JPEZ, JPZZ, JPWW). The Company is designed primarily to invest in the global private equity market. The fair value of the Company’s total assets as at 30 June 2011 was \$700.1 million.

JPEL held its initial public offering on 30 June 2005 under the name “Bear Stearns Private Equity Limited”. The Company currently has three classes of shares: US\$ Equity Shares, 2013 Zero Dividend Preference Shares (“2013 ZDP Shares”) and 2015 Zero Dividend Preference Shares (“2015 ZDP Shares”). At 30 June 2011, 2013 ZDP Shares made up 10.5% of total capital, 2015 ZDP Shares made up 10.8% of total capital and US\$ Equity Shares made up the remaining 78.7%.

Subsequent to 30 June 2011, JPEL issued a new class of 2017 Zero Dividend Preference Shares (“2017 ZDP Shares”) which was listed on the London Stock Exchange (LSE: JPSZ) on 12 September 2011.

JPEL issued warrants free of subscription cost to shareholders on record as at 17 August 2009. One warrant was issued for every six US\$ Equity Shares owned. The warrants are publicly traded on the London Stock Exchange under the symbol “JPWW”. As at the time of publication of the Annual Report, there were 57,895,919 warrants in issuance.

JPEL is managed by Bear Stearns Asset Management Inc. (“BSAM Inc.”) and JPMorgan Asset Management (UK) Limited (“JPMAM UK”) (together, the “Managers”), both wholly-owned subsidiaries 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 joined J.P. Morgan Asset Management. The Company has entered into a management agreement with the Managers to invest the assets of the Company on a discretionary basis, subject to the overall supervision of the Board of Directors (the “Directors”), a majority of whom are independent. The Directors have overall responsibility for the Company’s investment policy and the Company’s activities.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$2.2 trillion and operations in more than 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.

The key measure of performance used by the Board and shareholders to assess the Company’s performance is the NAV which is prepared on a monthly basis by HSBC Management (Guernsey) Limited (“the Administrator”). The Portfolio Review on pages 16 to 18 is accordingly prepared on the Company basis as this information is considered more relevant to the needs of shareholders for assessment of the Company’s performance.

### Strategy

The Company primarily pursues the following strategies to enhance shareholder value and to meet its investment objective:

- acquires secondary portfolios of direct investments and significantly invested partnership investments to accelerate NAV development;
- opportunistically invests in buyout, venture capital, and special situations funds and investments throughout the world based on attractive transaction values, advantageous market conditions, and compelling risk-adjusted return potential;
- obtains exposure to individual companies by co-investing alongside private equity sponsors in companies that offer the potential for substantial equity appreciation;
- diversifies its portfolio by manager, industry, geography, investment stage, and vintage year; and
- actively manages the portfolio by repositioning its investment composition from time to time in order to capitalise on changes in private equity market conditions.

In summary, the investment strategy of the Company is to achieve both short-term and long-term capital appreciation by investing in a well-diversified portfolio of private equity interests and by capitalising on the inefficiencies of the global secondary private equity market.

## Chairman's Statement

**The twelve months ended 30 June 2011 marks the Company's six-year anniversary and the beginning of an exciting chapter in JPEL's history.**

In the six years since our initial public offering on the London Stock Exchange, the global markets have witnessed three years of economic growth and prosperity followed by three years of uncertain equity and credit markets.

Market uncertainty has continued well into the months following the Company's sixth anniversary. As I write this letter, I note that during the third quarter of 2011, the global markets witnessed the worst quarter since the 2008 credit crisis and the possibility of another recession remains. However, JPEL is an opportunistic secondary investor and such periods of prolonged or intermittent market volatility often create deal flow as investors holding illiquid assets seek liquidity.

In this year's statement, I would again like to address how the Managers have built JPEL's portfolio to be defensive, to operate in an efficient manner and to be well positioned for a variety of economic conditions. In particular, we started the 2011 fiscal year with four distinct objectives:

- **Reinstate Tender Facility:** JPEL is the only listed private equity company to offer a tender to shareholders at prevailing net asset value ("NAV"). During the height of the credit crisis, JPEL's Board of Directors temporarily suspended the tender facility in order to bolster JPEL's liquidity position. As a result of increased distribution activity and a strong balance sheet, JPEL was able to distribute over 50% of net distributions received during the 2010 calendar year to shareholders through the tender facility at 31 December 2010. Since inception, and inclusive of the 31 December 2010 tender, the Company has returned over \$127 million to shareholders through this facility at an average price of \$1.65 per US\$ Equity Share.
- **Lower Financing Costs:** As we discussed in the Chairman's Statement for the six month period ending 31 December 2010, a portion of JPEL's NAV development during the 2010 calendar year was offset by ongoing expenses relating to JPEL's legacy credit facility with Fortress Credit Corp. As a reminder, JPEL entered into a loan facility agreement with Fortress Credit Corp in 2008 (the "Fortress Facility"). The \$100 million Fortress Facility had an interest rate of US\$ LIBOR + 500 bps on drawn amounts (with a LIBOR floor of 250 bps) and 50 bps on undrawn amounts. The Managers viewed this facility as extremely inefficient financing and sought to refinance when there was an opening in the credit markets. I am extremely pleased to report that in March 2011, the Company was able to refinance the Fortress Facility with a larger, multi-currency facility in the amount of \$150 million from Lloyds TSB Bank plc ("Lloyds Facility"). The Lloyds Facility offers the Company multi-currency flexibility, improved pricing and a longer maturity date of May 2013. Key terms of the facility include: LIBOR/EURIBOR + 275bps for a loan to value ratio (LTV) of less than or equal to 10%, and LIBOR/EURIBOR + 325bps for a LTV ratio of greater than 10%, each with no LIBOR/EURIBOR floor. I believe that the Lloyds Facility will better support JPEL as it seeks to capitalise on opportunities within the secondary private equity markets and grow assets under management.
- **Strengthen portfolio to withstand a variety of economic conditions:** In preparation for, and in response to the global credit crisis, the Managers created a defensive portfolio, built primarily through secondary transactions with approximately 44% of JPEL's private equity portfolio invested in lower-middle market companies. The Managers continue to feel that while a broad, global recovery is uncertain, there will be pockets of recovery and they feel confident with a significant exposure to the lower-middle market. In recent months, the Managers have sought to reposition JPEL's portfolio with middle-market buyout assets that might be well suited for exits, if markets do begin to recover.

## Chairman's Statement (continued)

In this vein, on 16 August 2011, JPEL announced an all-stock acquisition of a portfolio of 38 European mid-market buyout co-investments ("Co-Investment Portfolio") managed by top-tier buyout firms including 3i, Duke Street, Barclays and Milestone. The Co-Investment Portfolio was purchased from the SPL Funds<sup>1</sup> for £56.5 million (\$91.9 million) through the issuance of £36.7 million of US\$ Equity Shares (at \$1.34 per share) and £19.8 million of a new class of ZDP Shares due 2017. The acquisition is expected to be accretive to JPEL's NAV and the Co-Investment Portfolio is expected to generate positive growth and distributions from near-term exits. Subsequent to the announcement, the Company was informed by Liberum Capital that all ZDP Shares due 2017 were placed with institutional investors via a secondary placing at a premium to the initial placing price.

I am particularly excited about this transaction as it meets three of JPEL's 2011 fiscal year goals:

- add to mid-market buyout assets, primarily in the UK, Germany and France;
- enhance JPEL's balance sheet by adding mature assets (the average age of the Co-Investment Portfolio is 3.6 years) with the potential to offer meaningful liquidity in 1-2 years; and
- continue to differentiate JPEL amongst secondary players and listed private equity peers.

This transaction will be discussed in more detail in this Annual Report. I view this transaction as a very exciting and innovative way for the Company to reposition its portfolio, particularly without utilising cash.

- ***Exploit volatility in the global markets in order to invest in opportunistic secondary transactions:*** JPEL has continued to reposition its portfolio through new secondary investments. Since 30 June 2010, JPEL has deployed \$41.1 million in nine investments.

### Investment Activity

Although JPEL's investment pace continues to be measured, macro trends – such as regulatory changes in the financial industry, dissolving hedge fund and private equity fund structures, and broken shareholder bases in many private equity backed deals - have increased JPEL's deal flow.

JPEL completed nine investments, deploying a total of \$41.1 million, during the twelve month period ending 30 June 2011. The investments were consistent with the macro economic perspective the Managers have taken over the past twelve months and in general were focused on distressed debt opportunities in the United States, turnaround situations in Europe and growth equity investments in emerging economies. The Managers believe that these investments will contribute to the Company's NAV development and cash flow distribution pattern over the next twelve months. The individual investments are discussed further in the Investment Activity section of this report.

---

1. Includes Private Equity (PE1) IC Ltd, SPL Private Equity (PE2) IC Ltd, and SPL Integrated Finance (PE3 IC Ltd), collectively "SPL Funds". JPEL and the SPL Funds have entered into an Economic Transfer Agreement relating to 2 interests within the Co-Investment Portfolio. Pursuant to the Economic Transfer Agreement, JPEL will retain record and legal ownership of the relevant ownership interests in accordance with the terms of the Acquisition Agreement but will transfer to the SPL Funds all economic rights, benefits and obligations in and to these ownership interests.



## Chairman's Statement (continued)

### NAV and Share Price Performance

In the twelve months ending 30 June 2011, JPEL's NAV per US\$ Equity Share grew by 6.3% from \$1.28 to \$1.36. Overall, JPEL's NAV development has been moderate for the 2011 fiscal year due to a combination of factors, including the following:

- **Valuations:** The Managers believe that there is embedded value in the underlying JPEL portfolio as evidenced by the levels of revenue and EBITDA growth at the Company's top 35 buyout positions. Revenue and EBITDA for the top positions grew 12.5% and 11.9%, respectively, for the 12 month period ending 30 June 2011.<sup>1</sup>
- **Foreign Exchange Volatility:** Foreign exchange volatility continues to affect JPEL's performance as the Company maintains underlying investment exposure to the Euro, Sterling and Australian Dollar. During the twelve month period ending 30 June 2011, the Euro, Sterling and Australian Dollar posted strong gains against the US Dollar, appreciating 18.5%, 7.4% and 27.5%, respectively.
- **Financing Cost:** Ongoing expenses, including JPEL's credit facility and Zero Dividend Preference Shares, offset a portion of net asset value development. Through the new Lloyds Facility, the Company has a more efficient cost of financing.

The public market value of the Company's US\$ Equity Shares decreased by 2.4% during the twelve month period ending 30 June 2011. As at 30 September 2011, the Company's US\$ Equity Shares traded at a 33.8% discount to net asset value, which compared favourably to the average discount of the selected peer group of 39.6%.<sup>2</sup> The Company is disappointed by this decline and has redoubled its efforts in recent months to increase its rating.

Subsequent to the end of the period, the Company has taken measures to support its share price and has repurchased 2,177,000 US\$ Equity Shares in the open market at an average price of \$0.966 per US\$ Equity Share. The Managers and Board believe that the current market price does not reflect the underlying value of the Company's portfolio, and as such, buyback authorization was granted at prevailing market levels. These open market repurchases will be accretive to the Company's NAV of \$1.36 per US\$ Equity Share at 30 June 2011.

JPEL's 2013 ZDP Shares continue to perform well. The NAV of 2013 ZDP Shares rose 7.3% during this period, from 59.09p to 63.41p per share. JPEL's 2013 ZDP Share price has increased 52.8% since inception, closing at 67.13 on 30 June 2011. At 30 June 2011, JPEL's 2013 ZDP Shares traded at a 6.8% premium to NAV.

JPEL's 2015 ZDP Shares also continue to perform well. The NAV of 2015 ZDP Shares rose 8.6% during this period, from 55.33p to 60.11p per share. JPEL's 2015 ZDP Share price has increased 34.6% since inception, closing at 68.63p on 30 June 2011. At 30 June 2011, JPEL's 2015 ZDP Shares traded at a 12.9% premium to NAV.

JPEL's newly issued 2017 ZDP Shares have performed well since admission on 12 September 2011. The share price has increased 16.2% since inception, closing at 75.5p on 30 September 2011 compared to its initial capital entitlement of 65.0p.

<sup>1</sup> Source: Managers. Represents largest underlying buyout investments within JPEL's largest 50 underlying companies. Buyout related investments represent 36 of JPEL's largest 50 investments and 35% of total private equity investment value. Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, using latest available underlying company data at time of publication.

<sup>2</sup> Source: J.P. Morgan Cazenove Alternative Statistics, Bloomberg as at 30 September 2011. Peer Group members based on multi-manager listed private equity funds included in the research publication "LPE Focus" by RBS and includes: APEN, SHPN, PEHN, PIN, CPEN, PEY, CCAP, HPEQ, FPEQ, NBPE, HVPE, SEP.

## Chairman's Statement (continued)

### Market Outlook

Opportunities in the portion of the secondary private equity market where JPEL tends to invest have been aided by the extreme volatility in the world such as the U.S and Eurozone debt issues, geopolitical changes in the Middle East and currency pressures in developing markets.

Market volatility and prolonged periods of uncertainty should contribute to a favourable secondary pricing environment in the portion of the secondary private equity market where the Managers operate. The Managers are currently focusing on increasing exposure to companies that can grow revenues and cash flows despite a difficult economic environment. This should lead to an emphasis on companies with significant emerging market exposure or to those that are operationally geared to benefit disproportionately from incremental revenue growth.

JPEL has a nimble, opportunistic investment style that thrives in markets that produce distressed and motivated sellers. I remain confident that JPEL will continue to be a market innovator and that the Company will be able to offer a compelling, differentiated strategy to its shareholders.

Once again, I would like to thank shareholders for the support and continued confidence that they have placed in the Company and in its ability to successfully execute its private equity investment strategy.

Trevor Ash  
Chairman

31 October 2011

## Corporate Actions

At the Annual General Meeting of the Company on 12 July 2010 all of the following special and ordinary resolutions put to shareholders were duly passed:

- To renew the Company's authority to make purchases of its own issued shares pursuant to any proposed tender offer;
- To renew the Company's general authority to make market purchases of its own issued shares;
- To approve and adopt the Annual Report and Financial Statements of the Company for the year ended 30 June 2009;
- To re-elect Trevor Charles Ash as a non-executive Director of the Company, who retires by rotation;
- To re-elect John Loudon as a non-executive Director of the Company, who retires by rotation;
- To re-elect Christopher Paul Spencer as a non-executive Director of the Company, who retires by rotation;
- To re-elect Gregory S. Getschow as an executive Director of the Company, who retires by rotation;
- To re-elect KPMG Channel Islands Limited as Auditor to the Company;
- To authorise the Directors to determine the Auditor's remuneration.

Furthermore, pursuant to the AGM, the following special resolution put to shareholders was declined:

- To renew the disapplication of the pre-emption rights set out in the Articles of Incorporation.

On 29 September 2010, the Company announced a tender offer to purchase up to 3% of current US\$ Equity Shares, 2013 ZDP Shares and 2015 ZDP Shares, respectively, outstanding (excluding shares held in treasury). Shares were to be tendered at a price based on the prevailing net asset value (NAV) for the quarter ending 31 December 2010.

On 30 December 2010, the Company announced that JPMorgan Asset Management (UK) Limited ("JPMAM UK") was appointed as its co-manager. The addition of JPMAM as co-manager reflects the appointment of the legal entity which employs the London-based members of the JPEL team and will have no adverse impact on the operations or management of the Company. JPMAM has been appointed on the same material terms as contained in the existing Investment Management Agreement with Bear Stearns Asset Management Inc.

On 25 February 2011, the Company announced that it accepted the following shares tendered to it at the applicable Net Asset Value per share as at 31 December 2010:

- 11,036,942 of US\$ Equity Shares at a price of USD 1.30 per share.
- 55,011 of 2013 Zero Dividend Preference shares at a price of GBP 0.6123 per share.
- 829,241 of 2015 Zero Dividend Preference shares at a price of GBP 0.5769 per share.

On 10 March 2011, the Company announced that it reached agreement on the terms of a new multi-currency credit facility in the amount of US\$150 million with Lloyds TSB Bank plc. Proceeds from the new facility were used in part to refinance the Company's \$100 million facility with Fortress Credit Corp. which was scheduled to mature in 2012. The Lloyds Facility offers the Company multi-currency flexibility, improved pricing and a longer maturity date of May 2013. Key terms of the facility include:

- LIBOR/EURIBOR +275bps for a loan to value ratio (LTV) of less than or equal to 10%, with no LIBOR/EURIBOR floor
- LIBOR/EURIBOR +325bps for a LTV ratio of greater than 10%, with no LIBOR/EURIBOR floor

## Corporate Actions (continued)

At the Annual General Meeting of the Company on 7 June 2011 all of the following special and ordinary resolutions put to shareholders were duly passed:

- To renew the Company's authority to make purchases of its own issued shares pursuant to any proposed tender offer;
- To renew the Company's general authority to make market purchases of its own issued shares;
- To renew the disapplication of the pre-emption rights set out in the Articles of Incorporation up to an amount equal to 10 percent of each class of the Company's issued share capital (excluding treasury shares);
- To approve and adopt the Annual Report and Financial Statements of the Company for the year ended 30 June 2010;
- To re-elect Gregory S. Getschow as an executive Director of the Company, who retires by rotation;
- To re-elect KPMG Channel Islands Limited as Auditor to the Company;
- To authorise the Directors to determine the Auditor's remuneration; and
- To authorise and agree the remuneration of Directors.

On 16 August 2011, the Company announced that it had entered into a conditional agreement with Private Equity (PE1) IC Ltd, SPL Private Equity (PE2) IC Ltd, and SPL Integrated Finance (PE3 IC Ltd) (together, the "SPL Funds") to acquire a portfolio of 38 middle-market co-investments ("Co-Investment Portfolio") in an all-stock acquisition (the "Acquisition") valued at £56.5 million or approximately US\$91.9 million. Under the terms of the Acquisition, the SPL Funds received approximately 65% of the purchase price, or £36.7 million, through the issue of 44,727,053 new US\$ Equity Shares issued at JPEL's unaudited US\$ Equity NAV per share at 30 June 2011 and 35% of the purchase price or £19.8 million through the issue of a new class of 2017 Zero Dividend Preference Shares ("New 2017 ZDP Shares"). The 30,410,753 new 2017 ZDP Shares issued as a part of the transaction have a gross redemption yield of 8.25% and will mature on 31 December 2017. The transaction closed on 12 September 2011.

On 25 August 2011, the Company announced that Liberum Capital Limited, acting as broker on behalf of the SPL Funds, conditionally placed all 2017 ZDP Shares with institutional investors.

In the period 23 August 2011 through 21 October 2011, the Company purchased 2,177,000 US\$ Equity Shares at an average price of \$0.966 per share.

## Managers' Report

### Market Overview

#### Global Private Equity Market

Over the last year, the global private equity industry witnessed a dramatic turnaround in fund valuations and deal activity. During this period, improvements in the greater economy drove increases in public market comparables and growth in underlying portfolio companies which resulted in augmented private equity net asset values.

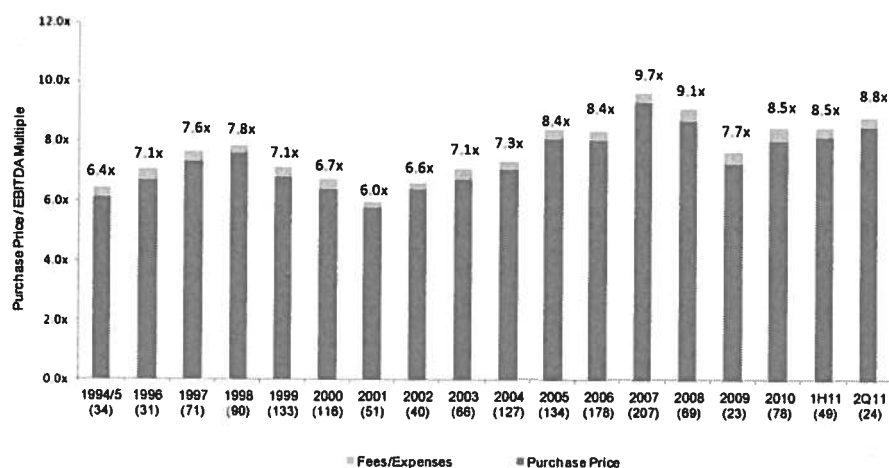
As private equity typically lags events in the public markets, the market correction witnessed in August and September 2011 has not yet been fully reflected in the private equity industry. Increased public market volatility threatens to negatively affect private equity valuations, exits and fundraising efforts. However, it may create more opportunity in the secondary market as sellers seek liquidity.

In the calendar year from December 2009 to December 2010, private equity funds reported a weighted average increase in net asset value of 13.0% and values continued to climb into the second quarter of 2011.<sup>1</sup> Disruption in the capital markets from 2008 to 2010 significantly hindered private equity managers' ability to profitably exit their investments. As a result, managers retained mature investments past their expected lifecycle. Since the second half of 2010, private equity funds have been taking advantage of more favourable capital markets to clear the backlog of investments ready for exit. In particular, the second quarter of 2011 was a strong quarter with 309 private equity backed exits valued at US\$120.1 billion, the highest quarter of all time.<sup>2</sup>

While increasing net asset values and exits bode well for the private equity industry, the fundraising environment still remains challenging. In 2010 private equity fundraising levels hit a six year low with US\$200 billion raised globally.<sup>3</sup> The absence of distributions over the past three years has been one of the main causes of the challenging fundraising environment. Without returning capital to their limited partners, many private equity investors have not had fresh capital to commit to new funds. As exits increase, it is anticipated that the fundraising environment will improve.

Another challenge to the private equity industry is the current overhang of unfunded commitments. Funds raised just before the global credit crisis still have significant unused capital as they approach the end of their investment period. Preqin estimates that private equity managers have US\$412 billion in unused capital available for investment across the globe.<sup>4</sup> Large amounts of dry powder, rebounds in the public stock market and access to cheap debt have resulted in relatively high purchase multiples in the first half of 2011. According to the S&P LCD report, EBITDA purchase multiples in the United States initially fell in 2009, but have since crept up to levels seen in 2005 and 2006.<sup>5</sup> However, market volatility in the third quarter of 2011 may drive purchase price multiples down again.

#### Average LBO Purchase Multiples<sup>6</sup>



1. Preqin Private Equity Performance Report, Fund Performance Data as of Q4 2010, September 2011.

2. Preqin Press Release - Q2 2011 Private Equity-Backed Deals.

3. The Triangle Quarterly, June 2011.

4. Preqin Research Report: Q1 2011 Private Equity-Backed Deals, April 2011.

5. S&P LCD's Leveraged Buyout Review, 1Q 2011.

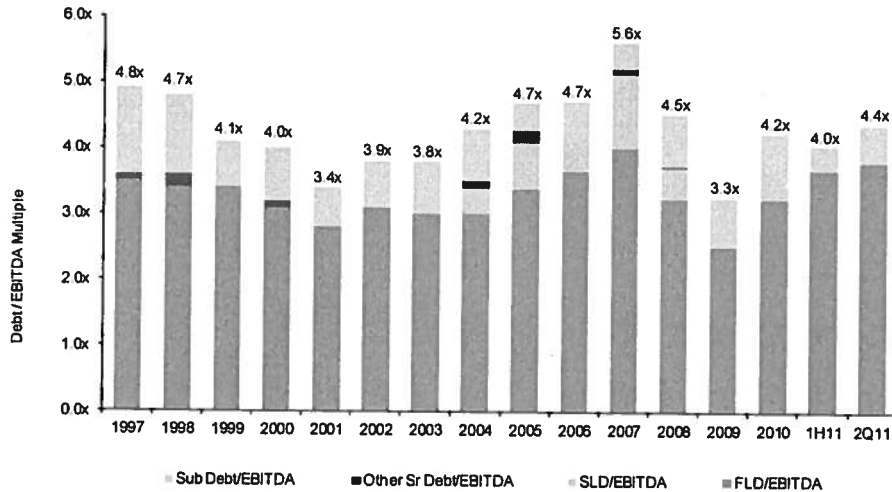
6. Source: Standard & Poor's LCD Group, LCD's Leveraged Buyout Review - 2Q11. Total Sources: Pro Forma Trailing EBITDA. Prior to 2003, Media, Telecom, Energy and Utilities deals excluded. Since 2003, all outliers excluded.

## Managers' Report (continued)

### Market Overview (continued)

Along with rising purchase price multiples, increased access to financing has pushed up the amount of debt used in middle-market leveraged buyout transactions. Debt / EBITDA levels in middle market leverage buyout transactions have rebounded 33% since 2009. JPEL seeks to invest in companies that have little to no debt. The average Debt/EBITDA multiple of JPEL's top 36 LBO companies was 1.7x which compares to an average of 4.4x Debt/EBITDA in middle market LBO loans issued in the second quarter of 2011.<sup>1</sup>

**Average Debt/EBITDA Multiples of Middle-Market LBO Loans<sup>2</sup>**



### Secondary private equity market

The secondary market has undergone a transformation in the past few years. In 2008 and 2009 many private equity professionals speculated that a large number of limited partners would seek to reduce their allocation to the asset class due to the market dislocations experienced in 2008. During the 2009 calendar year, 20 secondary vehicles raised a total of US\$22.9 billion, dwarfing the sector's previous high of US\$13.9 billion in 2007.<sup>3</sup> Yet, the expected secondary deal flow failed to materialise due to a significant pricing gap between buyers and sellers.

Secondary pricing seems to have reached a plateau in 2011. In the first half of 2011, according to Cogent Partners, a sell-side financial advisor, the average high bid across all funds was 84.5% of NAV, up slightly from 84.3% in the second half of 2010. These values represent a significant increase from 2009 when the average high bid was approximately 69.0% of NAV.<sup>4</sup> As the pricing gap narrowed, secondary deal volume has increased sharply. The first half of 2011 witnessed record breaking deal volume in the secondary market with an announced 165 secondary transactions valued at \$35.9 billion.<sup>5</sup> Much of this volume can be attributed to changes in the current regulatory environment. Schemes such as Basel III, Solvency II and the Volcker Rule have made it increasingly difficult for institutions to hold private instruments. As result, there is a mass migration out of illiquid investments. In the current environment, the Managers believe that there is an opportunity to capitalise on broken investment structures and on smaller, distressed sellers that are now seeking liquidity.

1. Source: Managers. Represents largest underlying buyout investments within JPEL's largest 50 underlying companies. Buyout related investments represent 36 of JPEL's largest 50 investments and 55% of total private equity investment value. Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, using latest available underlying company data at time of publication.

2. Source: Standard & Poor's LCD Group; LCD's 1 leveraged Buyout Review - 2Q11. Defined as issuers with EBITDA of \$50M or less. Excludes media and telecom loans. EBITDA adjusted for prospective cost savings or synergies.

3. Preqin Special Report: Private Equity Secondaries Market, May 2010

4. Cogent Partners Secondary Pricing Trends & Analysis, July 2011. Managers.

5. Preqin Press Release - Q2 2011 Private Equity-Backed Deals.

## **Managers' Report (continued)**

### **Market Overview (continued)**

#### ***Summary***

Although the recent economic cycle has been challenging, JPEL's approach to investing has enabled the Company to capitalise on unique opportunities in the secondary market. While JPEL operates in the greater context of the traditional secondary market, the investment strategy focuses on smaller and more complex secondary investments where it has been able to find attractively priced transactions at meaningful discounts to intrinsic value. JPEL is currently witnessing robust deal flow in the US, Europe and Asia. In the US and Europe, investment opportunities tend to stem from regulatory changes or broken shareholder bases, while in Asia the Company is focused on growth equity investments.

## Managers' Report (continued)

### 2011 Investment Activity

The Company remains extremely selective in deploying capital due to ongoing economic volatility and unrealistic seller expectations. During the past twelve months, JPEL acquired nine new investments with an aggregate cost of \$41.1 million.

#### US Investments

Over the course of the fiscal year, JPEL made three investments in debt backed by US middle market companies. The first investment was in a leading ATM deployment company. JPEL also invested in a nationwide provider of vehicle logistics. Base case projected internal rate of return for these two investments are approximately 20%. Given significant cash flow and structural protections, the Managers believe these investments represent superior risk adjusted returns. JPEL's third secondary direct investment in second lien debt is supported by a provider of integrated air cargo transportation and aviation support services. In November 2010, JPEL closed an investment in a distressed real estate opportunity in the United States, representing \$6.3 million in purchase price. JPEL was able to purchase the underlying assets at approximately one third of the replacement cost and less than 50% of the construction funding advanced on the project. During March 2011, the property was conservatively refinanced resulting in a return of 45% of the initial investment made in November.

In June 2011, JPEL committed \$3 million to Industry Ventures VI, L.P. a leading private equity firm specialising in venture related secondary investments. This investment marks JPEL's fourth investment in a fund sponsored by Industry Ventures.

#### European Investments

In August 2010, JPEL completed a secondary direct investment in a business that acquires run-off insurance portfolios. As part of this transaction, the underlying investment will acquire three run-off portfolios at significant discounts to net asset value.

In December 2010, the Company completed one secondary direct investment in one of Europe's leading industrial flooring companies with extensive business in Latin America. JPEL was able to make this investment at an attractive valuation due to the liquidity needs of three diverse sellers: a liquidating hedge fund, a bank prop desk seeking liquidity, and a European construction company.

#### Emerging Market Investments

In October 2010, JPEL purchased a secondary interest, at a discount to reported value, in Blue River Capital I, LLC ("Blue River"). The largest asset in the Blue River portfolio is one of the largest road construction and toll operators in India. This company registered over 30% revenue and EBITDA growth for the first six months of its fiscal year 2011.

In June 2011, JPEL completed a minority investment in a Middle Eastern healthcare company, buying out an existing investor seeking liquidity. In July 2011, JPEL invested further capital in the transaction via a growth equity investment. JPEL views the deal as compelling due to a low entry value, minimal debt, and significant near-term growth prospects. JPEL bought into the healthcare company at a significant discount to comparable companies in the Middle East.

#### Recent Investments, Post 30 June 2011

Subsequent to the period, on 16 August 2011, JPEL entered into a conditional agreement with the SPL Funds<sup>1</sup> to acquire a portfolio of middle-market co-investments in an all-share acquisition valued at £56.5 million (approximately US\$91.9 million). The Co-Investment Portfolio consists of a diversified pool of 38 investments with leading European middle-market fund managers primarily invested in the UK, Germany and France. The transaction closed on 12 September 2011.

Key highlights include:

- 100% of purchase price paid to SPL Funds comprised of JPEL US\$ Equity and New 2017 ZDP Shares
  - 65% in new US\$ Equity Shares issued at JPEL's unaudited 30 June NAV of \$1.34 per share
  - 35% in new class of Zero Dividend Preference Shares due 2017 with an 8.25% GRY.

<sup>1</sup> Includes Private Equity (PE1) IC Ltd, SPL Private Equity (PE2) IC Ltd, and SPL Integrated Finance (PE3) IC Ltd, collectively "SPL Funds".

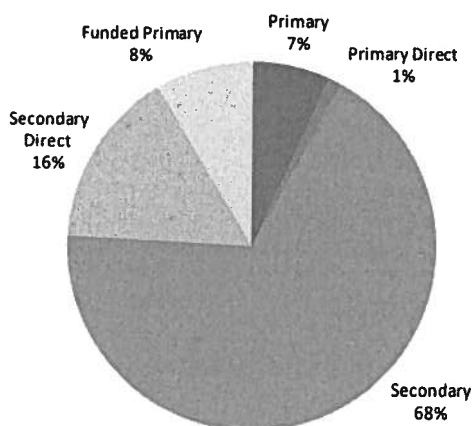


## Managers' Report (continued)

### Portfolio Review

Since the Company's inception on 30 June 2005, JPEL's portfolio has grown to include 108 separate fund interests, 12 co-investments and six funds of funds. With a private equity value of \$659.6 million, JPEL's portfolio is diversified globally across multiple investment strategies and industries as at 30 June 2011.

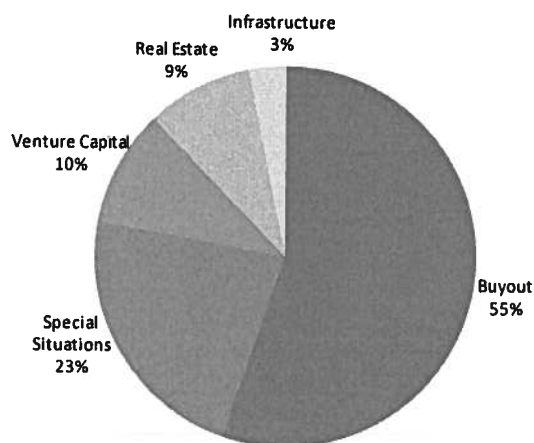
#### Investment Type<sup>1,3</sup>



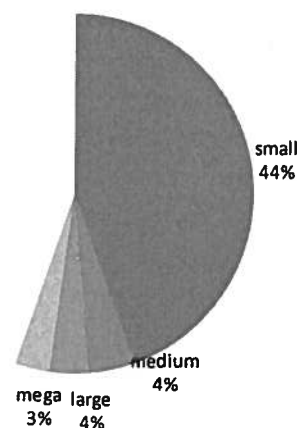
JPEL's portfolio is primarily composed of "highly funded assets" which include assets acquired in the secondary market and funded primary investments. In total these assets represent 92% of the portfolio. Secondary, secondary direct and funded primary investments represent 68%, 16% and 8% of the portfolio, respectively. Secondary direct investments are opportunities where JPEL was able to buyout existing shareholders in a single company or co-investment, while primary direct investments represent investments in which JPEL participated in a new round of equity. Funded primary investments are portfolios that are partially invested at the time of investment and tend to produce distributions and NAV growth more quickly since they are further along the private equity "J-Curve".

From time to time, JPEL may make a primary commitment to a fund, primarily as part of a secondary transaction. As at 30 June 2011, primary and primary direct investments together made up 8% of JPEL's portfolio.

#### Investment Strategy<sup>1,3</sup>



#### Buyout Fund Sizes<sup>2</sup>



Currently, buyout funds constitute approximately 55% of JPEL's portfolio. Within this strategy, the majority of the Company's investments are with fund managers that focus on small to medium sized buyouts, which generally utilize less leverage. As previously mentioned, JPEL's exposure to medium sized buyouts has increased since the completion of the Co-Investment Portfolio transaction.

JPEL maintains a 23% allocation to special situation funds which includes mezzanine, debt, turnaround and distressed funds that tend to fare better in constricted markets. Infrastructure, real estate and venture capital funds represent 3%, 9% and 10% of private equity net asset value, respectively.

<sup>1</sup> Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, using underlying fund-level values.

<sup>2</sup> Fund classifications for buyout strategy is 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. Co-investments allocated by size of underlying sponsor fund.

<sup>3</sup> The graphs on investment type and investment strategy of the Portfolio Review form an integral part of the consolidated financial statements. Refer to note 2.

## Managers' Report (continued)

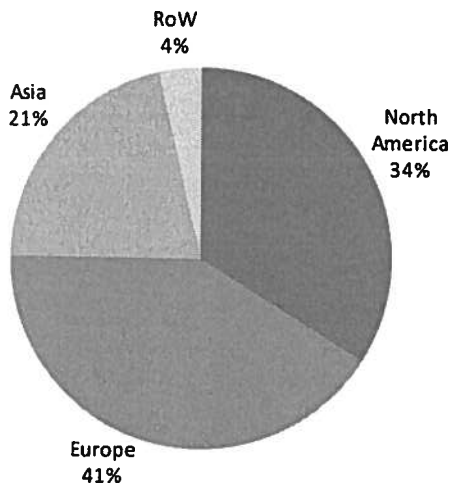
### Portfolio Review (continued)

#### Portfolio Age<sup>1</sup>

Average Age of Portfolio by Investment Strategy	
Average age of investments	4.8 years
▪ Buyout investments:	4.3 years
▪ Small buyout:	4.2 years
▪ Medium buyout:	4.3 years
▪ Large buyout:	4.6 years
▪ Mega buyouts:	5.1 years
▪ Venture Capital investments:	7.6 years
▪ Real Estate investments:	5.9 years
▪ Special Situations:	4.2 years
▪ Infrastructure investments:	4.9 years

When making investment decisions, JPEL seeks more mature assets that have good potential for near-term exits. With an average age of 4.8 years, JPEL's portfolio is well positioned on the private equity "J-Curve" to receive distributions once M&A and IPO markets normalize. As venture assets often take longer to develop, JPEL's venture capital investments have a more mature weighted average life of 7.6 years.

#### Geographic Footprint<sup>2,3</sup>



Constructing a geographically diversified portfolio is one of the central principles of JPEL's investment strategy. JPEL's private equity portfolio is diversified with investments in approximately 35 countries, helping to mitigate country and regional risk as well as to capitalise on the growth of expanding economies.

Europe and North America represent the majority of the Company's portfolio at 41% and 34%, respectively.

JPEL's allocation to Asia stands at 21% while investments in the rest of the world represent 4% of the portfolio.

<sup>1</sup> Source: Managers. Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, using underlying company-level values. Average age of investments is based on the date in which each individual portfolio company investment was made, subject to availability. Weighting is based on underlying portfolio company level values. Age calculated at 30 June 2011. Average is weighted based on investments at market value as at 30 June 2011, percentages based on underlying company-level values.

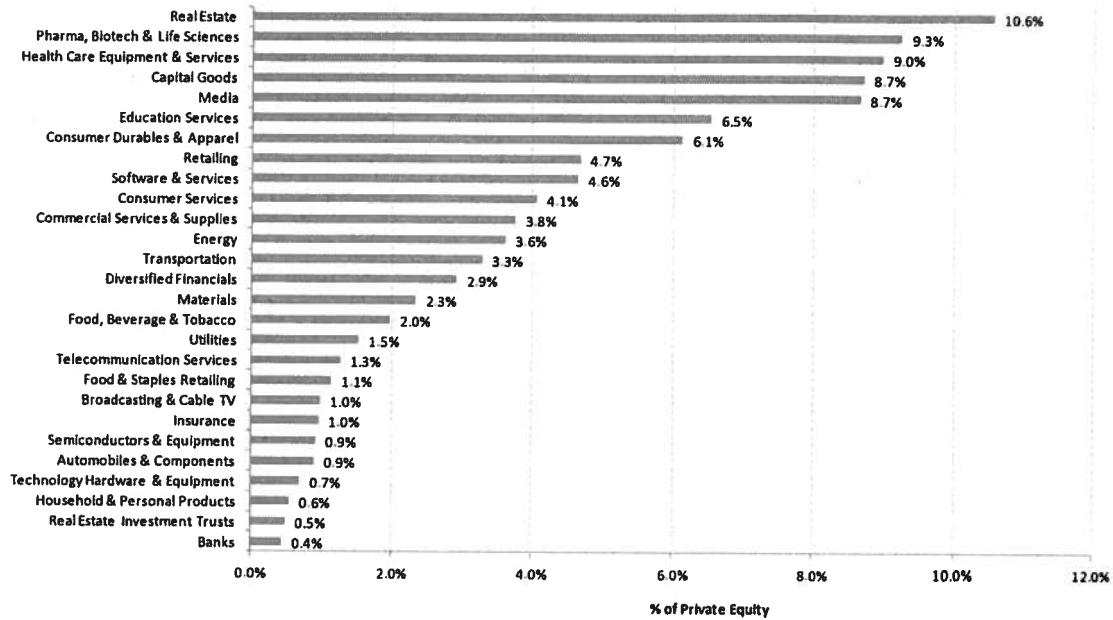
<sup>2</sup> Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, percentages based on underlying company-level values.

<sup>3</sup> The graph on geographic footprint of the Portfolio Review form an integral part of the consolidated financial statements. Refer to note 2.

## Managers' Report (continued)

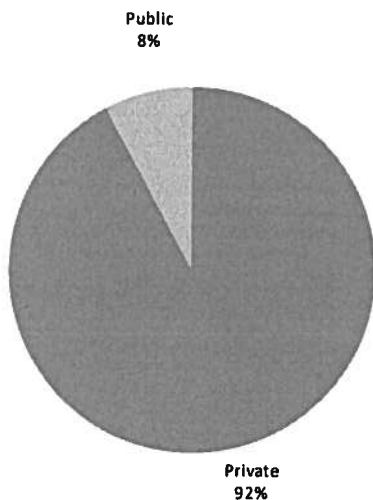
### Portfolio Review (continued)

#### Industry Composition<sup>1,3</sup>



In addition to geographic diversification, the Managers diversify JPEL's portfolio by industry composition. No single industry represents more than 11% of the current portfolio.

#### Public Market Exposure<sup>2,3</sup>



JPEL's exposure to the public markets is primarily derived from investments in private companies that are subsequently taken public.

As at 30 June 2011, 8% of JPEL's private equity portfolio was held in publicly listed companies.

<sup>1</sup> Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, percentages based on underlying company-level values.

<sup>2</sup> Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, percentages based on underlying company-level values. Please refer to page 61 of the financial statements for public market exposure on the Group Level

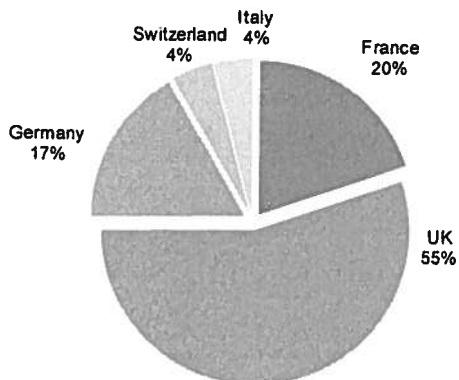
<sup>3</sup> The graphs on Industry Composition and Public Market Exposure of the Portfolio Review form an integral part of the consolidated financial statements. Refer to note 2.

## Managers' Report (continued)

### Portfolio Review: Co-Investment Portfolio Acquisition

The acquisition of the Co-Investment Portfolio will enhance JPEL's portfolio and offer the potential to increase the Company's cash position through distributions.

#### Co-Investment Portfolio at 30 June 2011

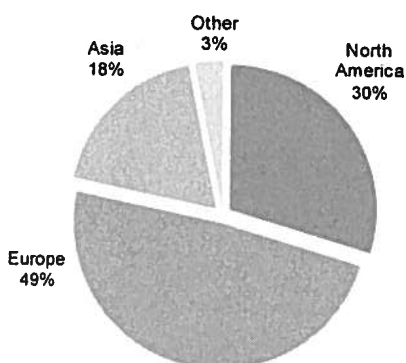


- Co-Investment Portfolio was purchased in September 2011 for £56.5 million<sup>1</sup>
- 2 separate co-investment funds (2007 Fund & 2008 Fund)
- 38 individual mature co-investments (average age is 3.6 years)<sup>2</sup>
- Exposure to mid market buyout investments (100% of portfolio)
- Low unfunded commitment (~£6.9 mm)
- Exposure to UK, Germany and France (92% of portfolio)

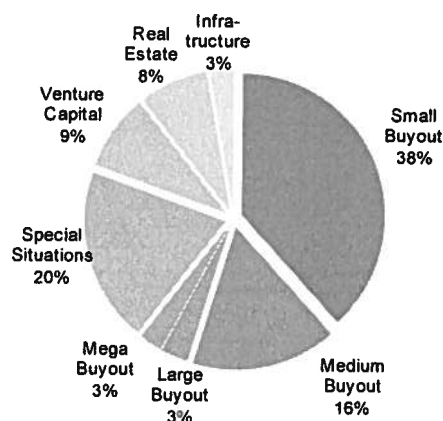
#### Adjusted JPEL Portfolio at 30 June 2011

When the Co-Investment Portfolio is included in JPEL's existing portfolio it will enhance JPEL's exposure to European buyout funds.

#### Geographic Diversification<sup>3</sup>



#### Investment Strategy<sup>3</sup>



<sup>1</sup> Source: Managers. Co-Investment Portfolio information as at 30 June 2011.

<sup>2</sup> JPEL and the SPL Funds have entered into an Economic Transfer Agreement relating to 2 interests within the Co-Investment Portfolio. Pursuant to the Economic Transfer Agreement, JPEL will retain record and legal ownership of the relevant ownership interests in accordance with the terms of the Acquisition Agreement but will transfer to the SPL Funds all economic rights, benefits and obligations in and to those ownership interests.

<sup>3</sup> Source: Managers. Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011. Co-Investment Portfolio information as at 30 June 2011. Geographic diversification reflects underlying company level values. For purposes of diversification, Co-Investment Portfolio geography is classified as "Europe" and "Medium Buyout".

## Managers' Report (continued)

### Portfolio Review: Co-Investment Portfolio Acquisition (continued)

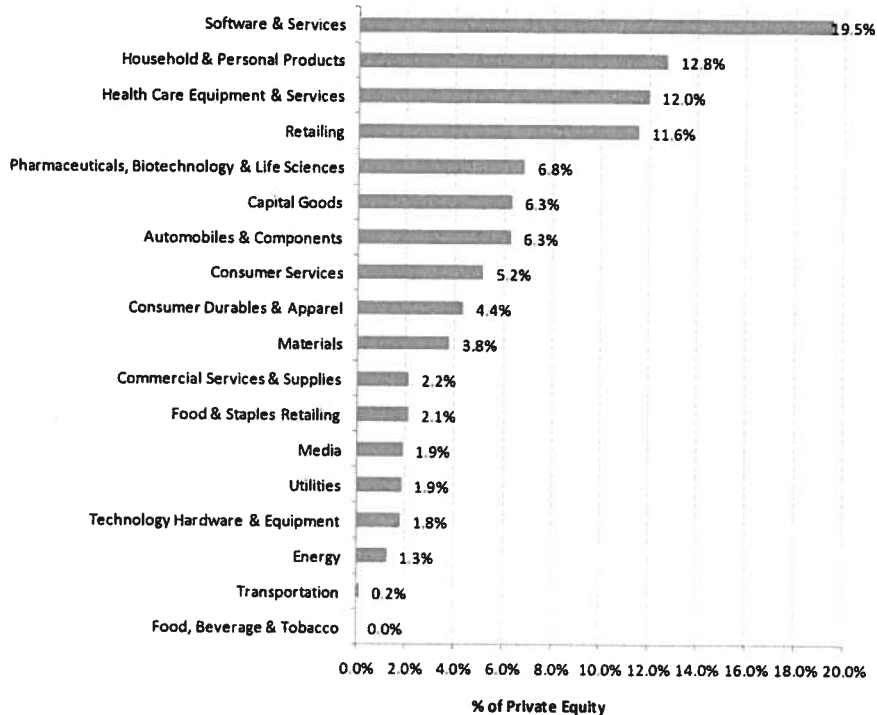
The acquisition of the Co-Investment Portfolio adds exposure to mature assets managed by leading fund managers primarily invested in the UK, Germany and France.

#### Co-Investment Portfolio Diversification by Fund Manager at 30 June 2011<sup>1,2</sup>

Fund Name	Co-Investment Portfolio <sup>1,2</sup>
1 Duke Street	39.6%
2 Barclays Private Equity	17.7%
3 3i	15.5%
4 Milestone Capital Partners	12.3%
5 Equinvest	7.5%
6 GCP Capital Partners	2.1%
7 P M & Partners	2.1%
8 Penta Capital	2.1%
9 TCR	0.6%
10 ICEO Capital	0.6%
<b>Total</b>	<b>100.0%</b>

The top 5 Fund Managers represent 92.6% of the Co-Investment Portfolio, while the top 5 individual company exposures represent 48.6% of the Co-Investment Portfolio.<sup>1,2</sup>

#### Co-Investment Portfolio Diversification by Industry<sup>1,2</sup>



<sup>1</sup> The numbers may not add due to rounding.

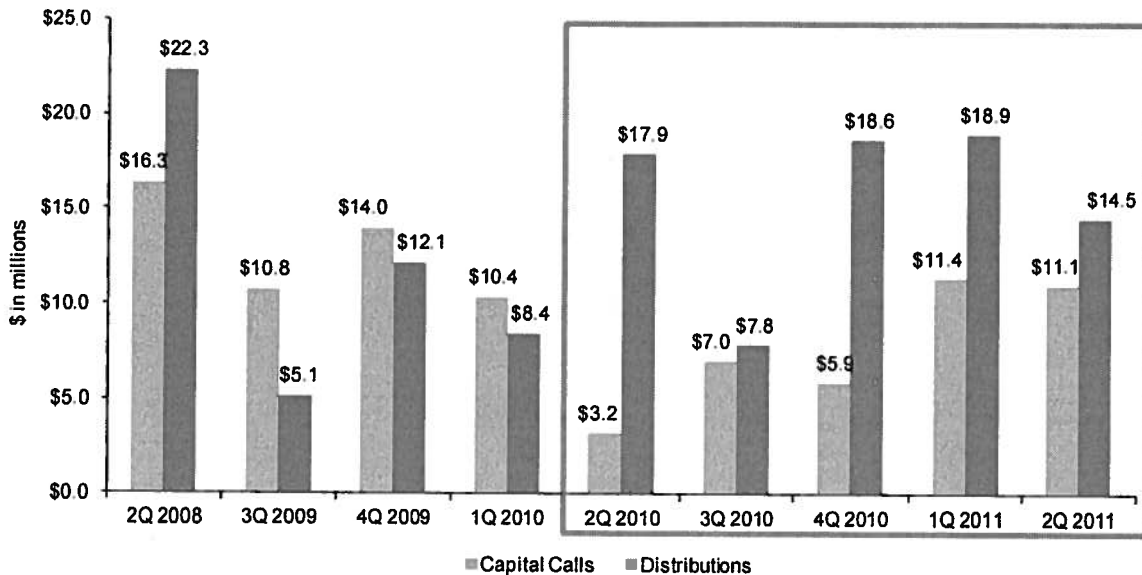
<sup>2</sup> JPPEL and the SPI Funds have entered into an Economic Transfer Agreement relating to 2 interests within the Co-Investment Portfolio. Pursuant to the Economic Transfer Agreement, JPPEL will retain record and legal ownership of the relevant ownership interests in accordance with the terms of the Acquisition Agreement but will transfer to the SPI Funds all economic rights, benefits and obligations in and to those ownership interests.

## Managers' Report (continued)

### Capital Calls and Distributions

JPEL invests with a goal of delivering consistent NAV growth and generating a high level of distributions.

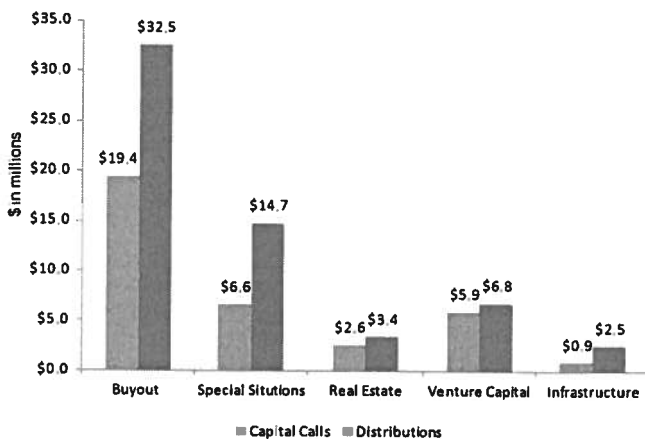
#### Selected Capital Call and Distribution Summary<sup>1,2</sup>



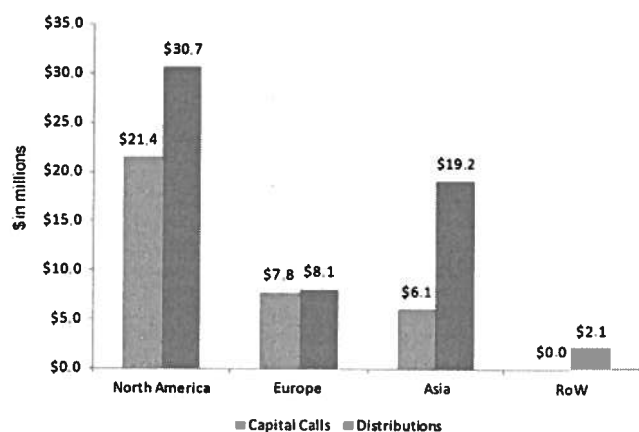
After a dearth of distributions in 2008 and 2009, in the second calendar quarter of 2010 JPEL's distributions outpaced capital calls for the first time since the second quarter of 2008. Subsequently, JPEL's portfolio produced four quarters of net positive cash flow. Over the twelve months to 30 June 2011, JPEL has received \$74.5 million of distributions versus \$46.3 million of capital calls.

#### Cash Flow Breakout<sup>1,2</sup>

Cash Flows by Investment Strategy  
(12 months ending 30 June 2011)



Cash Flows by Geographic Region  
(12 months ending 30 June 2011)



In the past year the majority of JPEL's capital calls and distributions have been from the North America and buyout sections of the portfolio.

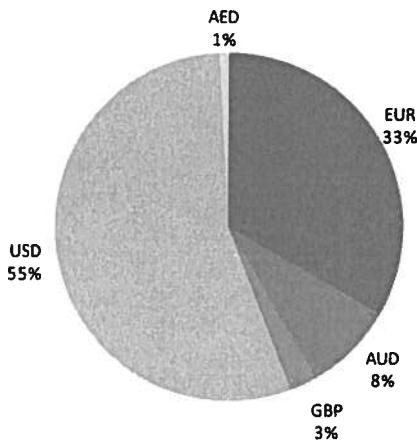
<sup>1</sup> Source: Managers' Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011.

<sup>2</sup> The graphs on Selected Capital Call and Distribution Summary and Cash Flow Breakout form an integral part of the consolidated financial statements. Refer to note 2.

## Managers' Report (continued) Currency Exposure

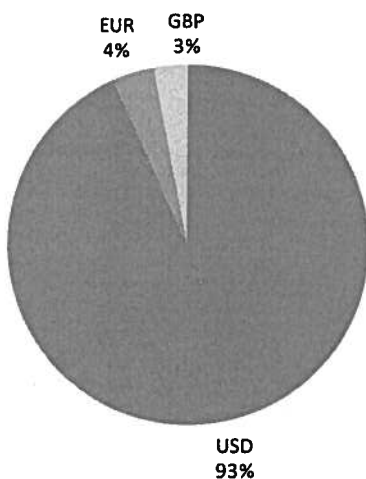
The Managers continue to monitor JPEL's exposure to foreign currencies and take currency exposure into consideration when making investment decisions. The currency composition of JPEL's portfolio may change as the Company continues to pursue an investment policy focused on geographic diversification.

### Currency Composition<sup>1,3</sup>



As at 30 June 2011, investments held in US Dollars made up approximately 55% of JPEL's private equity market value. Investments held in Euros comprised 33% of the private equity portfolio, while the Australian Dollar, Sterling, and UAE Dirham represented 8%, 3% and 1% of the portfolio, respectively.

### Cash Account Holdings<sup>2,3</sup>



JPEL ended the fiscal year with total cash balances of \$37.0 million. In addition to the cash held on the balance sheet at year end, JPEL had the ability to draw a further \$20.2 million from its credit facility.

The Company holds the majority of its cash balance in US Dollars to mitigate the impact of foreign currency volatility. As at 30 June 2011, approximately 93% of JPEL's cash balance was held in US Dollars, 4% in Euros and 3% in Sterling.

<sup>1</sup> Based on 30 June 2011 unaudited market value of investments as released on 16 August 2011, percentages based on underlying fund-level values. Please refer to page 51 of the financial statements for net currency exposure on the Group Level.

<sup>2</sup> Based on cash holdings on the company-level at 30 June 2011. Please refer to page 50 of the consolidated financial statements for cash holdings on the Group Level.

<sup>3</sup> The graphs on Currency Composition and Cash Account Holdings form an integral part of the consolidated financial statements. Refer to note 2.

## Managers' Report (continued) Top 20 Funds & Companies Information

### Top 20 Funds<sup>1,2</sup>

	Fund	Region	Fund Strategy	% of Private Equity Investments
1	Avista Capital Partners (Offshore), L.P.	North America	Buyout	3.9%
2	Liberty Partners II, L.P.	North America	Buyout	3.3%
3	Life Sciences Holdings SPV I Fund, L.P.	Europe	Venture Capital	3.2%
4	Milestone Link Fund, L.P.	Europe	Buyout	2.7%
5	Alcentra Euro Mezzanine NoI Fund L.P.	Europe	Special Situations	2.5%
6	Hutton Collins Capital Partners II L.P.	Europe	Special Situations	2.3%
7	Almack Mezzanine I Fund L.P.	Europe	Special Situations	2.2%
8	GSC European Mezzanine Fund II L.P.	Europe	Special Situations	1.9%
9	Macquarie Alternative Investment Trust II	Asia	Buyout	1.8%
10	Esprit Capital I Fund	Europe	Venture Capital	1.8%
11	Omega Fund III, L.P.	Europe	Venture Capital	1.7%
12	Macquarie Wholesale Co-investment Fund	Asia	Buyout	1.7%
13	Beacon India Private Equity Fund	Asia	Buyout	1.6%
14	Argan Capital Fund	Europe	Buyout	1.6%
15	Strategic Value Global Opportunities Master Fund	North America	Special Situations	1.6%
16	Catalyst Buyout Fund I	Asia	Buyout	1.5%
17	Guggenheim Aviation Offshore Investment Fund II	North America	Special Situations	1.5%
18	Global Opportunistic Fund	Other	Buyout	1.4%
19	Blue River Capital I, L.L.C.	Asia	Buyout	1.4%
20	Leeds Equity Partners IV, L.P.	North America	Buyout	1.4%

### Top 20 Companies<sup>1,2</sup>

	Company	Country	Industry Group	% of Private Equity Investments
1	Deutsche Annington Immobilien Group	Germany	Real Estate	7.5%
2	China Media Enterprises Limited	China	Media	6.9%
3	RCR Industrial S.a.r.l	Europe	Construction & Engineering	2.7%
4	Education Management Corporation	USA	Diversified Consumer Services	2.6%
5	FibroGen	USA	Biotechnology	2.3%
6	Concorde Career Colleges, Inc.	USA	Diversified Consumer Services	2.1%
7	WinnCare	France	Health Care Equipment & Supplies	2.0%
8	Paratek	USA	Pharmaceuticals	1.5%
9	InterFloor	United Kingdom	Household Durables	1.2%
10	IWP International Plc	Ireland	Household Products	1.2%
11	Evergreen International Aviation	USA	Air Freight & Logistics	1.0%
12	Gulf Healthcare International LLC	United Arab Emirates	Health Care Providers & Services	0.9%
13	Back Bay (Guernsey) Limited	USA	Real Estate	0.9%
14	Nycomed	Denmark	Pharmaceuticals	0.9%
15	Rebel Group	Australia	Distributors	0.7%
16	Step 2 Holdings LLC	USA	Leisure Equipment & Products	0.7%
17	Everis Spain	Spain	Software	0.7%
18	Healthcare at Home	United Kingdom	Health Care Equipment & Services	0.7%
19	KMC Constructions Limited	India	Construction & Engineering	0.6%
20	Lantheus	USA	Health Care Equipment & Supplies	0.6%

<sup>1</sup> Top 20 Funds and Top 20 Companies include underlying funds and companies indirectly owned through the purchase of secondary interest in Private Equity Access Fund II Ltd, 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. Following the acquisition after the fiscal year end, 6 underlying company investments within the Co-Investment Portfolio would have appeared in JPPL's adjusted top 20 Company list.

<sup>2</sup> Percentages are calculated based on 30 June 2011 unaudited market value of investments as released on 16 August 2011.



## Managers' Report (continued)

### Top 10 Investments<sup>1</sup>

JPEL's ten largest investments are diversified across a broad range of managers and investment strategies. In total, these ten investments account for \$248.3 million, or 37.6% of total private equity investment value, at 30 June 2011.

<b>1. Terra Firma Deutsche Annington, L.P.</b>		
Sponsor	Terra Firma	Terra Firma Deutsche Annington, L.P. targets acquisitions in the German residential real estate market, with a primary investment in Deutsche Annington Immobilien Group ("DAIG"). With approximately 230,000 leased and managed properties, DAIG is the largest German residential housing company.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Real Estate	
Date of Investment	December 2008	
Current NAV	\$49.4 million	
% of NAV	7.5%	
<b>2. China Media Enterprises Limited<sup>2</sup></b>		
Sponsor	Whale Capital	China Media Enterprises Limited is an outdoor advertising company located in Hong Kong and mainland China.
Geographic Focus	Asia	
Investment Type	Co-Investment	
Investment Strategy	Buyout	
Date of Investment	February 2010	
Current NAV	\$45.2 million	
% of NAV	6.9%	
<b>3. Avista Capital Partners (Offshore), L.P.</b>		
Sponsor	Avista Capital Partners	Avista Capital Partners makes controlling or influential minority investments in energy, healthcare, and media companies. The Fund aims to create value through consolidation, cost and management efficiency.
Geographic Focus	North America	
Investment Type	Funded Primary	
Investment Strategy	Buyout	
Date of Investment	June 2007	
Current NAV	\$25.5 million	
% of NAV	3.9%	
<b>4. Liberty Partners II, L.P.</b>		
Sponsor	Liberty Partners	Liberty Partners II specializes in middle-market private equity investments in education, specialty manufacturing and business services companies.
Geographic Focus	North America	
Investment Type	Secondary	
Investment Strategy	Buyout	
Date of Investment	May 2008	
Current NAV	\$21.5 million	
% of NAV	3.3%	
<b>5. Life Sciences Holdings SPV I Fund, L.P.</b>		
Sponsor	Omega Funds	Life Sciences Holding SPV I Funds, L.P. is a holding vehicle for an investment in a secondary portfolio of European life science companies.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Venture Capital	
Date of Investment	June 2009	
Current NAV	\$21.2 million	
% of NAV	3.2%	

<sup>1</sup> Top 10 Investments include fund investments and direct investments by size. Also includes interests indirectly owned through the purchase of secondary interests.

<sup>2</sup> Represents the net asset value of JPEL's investment in China Media Enterprises Limited, versus the gross asset value of \$54.6 million shown on page 74 of the Financial Statements.

## Managers' Report (continued) Top 10 Investments<sup>1</sup> (continued)

### 6. RCR Industrial S.a.r.l.

<b>Sponsor</b>	Columna Capital	RCR Industrial S.a.r.l. is a global market leader for industrial flooring solutions. The Company is headquartered in Spain and operates in Europe, Latin America and Africa.
<b>Geographic Focus</b>	Europe	
<b>Investment Type</b>	Co-Investment	
<b>Investment Strategy</b>	Buyout	
<b>Date of Investment</b>	January 2011	
<b>Current NAV</b>	\$17.7 million	
<b>% of NAV</b>	2.7%	

### 7. Milestone Link Fund, L.P.

<b>Sponsor</b>	Milestone Capital	Milestone Link Fund, L.P. is a 2002 vintage year buyout fund with positions in two European companies. The portfolio is comprised of a healthcare equipment provider in France and a UK manufacturer and distributor of underlay and flooring accessories.
<b>Geographic Focus</b>	Europe	
<b>Investment Type</b>	Secondary	
<b>Investment Strategy</b>	Buyout	
<b>Date of Investment</b>	September 2009	
<b>Current NAV</b>	\$17.6 million	
<b>% of NAV</b>	2.7%	

### 8. Education Management Corporation

<b>Sponsor</b>	Leeds Equity Partners	Education Management Corporation is among the largest for profit providers of post-secondary education in North America. It offers a broad range of academic programs concentrated in the media arts, design, fashion, culinary arts, behavioural sciences, health sciences, education, information technology, legal studies and business fields.
<b>Geographic Focus</b>	North America	
<b>Investment Type</b>	Co-Investment	
<b>Investment Strategy</b>	Buyout	
<b>Date of Investment</b>	September 2008	
<b>Current NAV</b>	\$17.0 million	
<b>% of NAV</b>	2.6%	

### 9. Alcentra Euro Mezzanine No. 1 Fund, L.P.<sup>2</sup>

<b>Sponsor</b>	Alcentra	Alcentra Euro Mezzanine No. 1 Fund, L.P. targets mezzanine and mezzanine-related investments in privately-owned, cash generative business in Europe with enterprise values in excess of €75 million.
<b>Geographic Focus</b>	Europe	
<b>Investment Type</b>	Secondary	
<b>Investment Strategy</b>	Special Situations	
<b>Date of Investment</b>	May 2007	
<b>Current NAV</b>	\$16.5 million	
<b>% of NAV</b>	2.5%	

### 10. Hutton Collins Capital Partners II, L.P.

<b>Sponsor</b>	Hutton Collins	Hutton Collins Capital Partners II, L.P. provides structured equity capital of 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.
<b>Geographic Focus</b>	Europe	
<b>Investment Type</b>	Primary	
<b>Investment Strategy</b>	Special Situations	
<b>Date of Investment</b>	April 2006	
<b>Current NAV</b>	\$15.1 million	
<b>% of NAV</b>	2.3%	

Bear Stearns Asset Management, Inc.  
JPMorgan Asset Management (UK) Limited  
Date: 31 October 2011

<sup>1</sup> Top 10 Investments include fund investments and direct investments by size. Also includes interests indirectly owned through the purchase of secondary interests.  
<sup>2</sup> Alcentra Euro Mezzanine No. 1 Fund, L.P. is owned through JPPEL's investment in HoS Mezzanine Partners Fund, L.P.

## Investment Policy

### *Asset Allocation*

The majority of the Company Portfolio is allocated to buyout funds, and the balance to venture capital, real estate and multi-style funds.

- A buyout fund typically targets the acquisition of a significant portion or majority control of businesses which normally entails a change of ownership. Buyout funds ordinarily invest in more mature companies with established business plans to finance expansions, consolidations, turnarounds and sales, or spinouts of divisions or subsidiaries. A leveraged buyout, commonly referred to as a LBO, is a buyout that uses debt financing to fund a portion of the purchase price of the targeted business.
- Venture capital refers to private equity capital typically provided to early-stage, high-potential growth companies.
- A multi-style investment strategy refers to fund managers that make investments in companies in various stages of development. A multi-style manager may make investments in start-up enterprises, later-stage venture companies and established businesses -- all within the same fund. These investments may involve control positions or may be minority, passive positions.

By investing in a portfolio of private equity funds, the Company is exposed to numerous underlying investments in individual companies, ranging from start-up ventures to large, multi-national enterprises. The Managers will endeavour to purchase private equity fund interests and co-investments in the secondary market to ensure that JPEL's portfolio contains investments that will be made and exited in different economic cycles.

The Company may invest capital not otherwise allocated to private equity into near cash and other investments. The Company, in the Managers' discretion, may invest in a wide variety of investments and other financial instruments.

The Company will not enter into derivative transactions (such as options, futures and contracts for difference) other than for the purposes of efficient portfolio management.

The Company will not take any legal or management control of any underlying company or fund in the Company Portfolio.

### *Risk Diversification*

The Managers actively monitors the Company Portfolio and attempts to mitigate risk primarily through diversification. Not more than 20% of the Company's Net Asset Value, at the time of investment, is permitted to be invested in any single investment. For the avoidance of doubt, if the Company acquires a portfolio of companies in a single transaction, this limitation shall be applied individually to each of the underlying companies purchased and not to the portfolio as a whole.

### *Leverage*

The Company has the ability to borrow up to 20% of its Adjusted Total of Capital and Reserves subject to and in accordance with the limitations and conditions in its Articles. As part of its leverage policy, the Company may borrow for short-term or temporary purposes as is necessary for settlement of transactions, to facilitate the operation of the over-commitment policy or to meet ongoing expenses. The Directors and the Managers will not incur any short-term borrowings to facilitate any tender or redemption of Shares unless such borrowings have a repayment period of 180 days or less. The Company is indirectly exposed to borrowings to the extent that subsidiaries and underlying funds in its portfolio are themselves leveraged.

## Directors' Report

### Introduction

The Directors present their report together with the audited consolidated financial statements of J.P. Morgan Private Equity Limited ("the Company") and its subsidiaries, together (the "Group") for the year ended 30 June 2011. The financial summary is set out on page 2. A detailed review of activities is contained in the Managers' Report on pages 12 to 25.

The Directors believe that Bear Stearns Asset Management Inc ("BSAM Inc"), and JPMorgan Asset Management (UK) Limited ("JPMAM UK") (together "the Managers"), subsidiaries of JPMorgan Chase & Co have performed credibly since being appointed as the Managers of the Company.

### Principal Activity

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

### 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 the Company's policy to comply with best practice in this area, insofar as the Directors believe it is relevant and appropriate to the Company, and in compliance with the 'UK Corporate Governance Code' (i.e. the Code of Best Practice published by the Financial Reporting Council (FRC), in respect of a financial year beginning on or after 29 June 2010, on the Financial Aspects of Corporate Governance). The complete UK Corporate Governance Code can be viewed on the Financial Reporting Council website at <http://www.frc.org.uk>.

During the Financial year the Directors decided that it would be beneficial to the Company to become a member of the Association of Investment Companies. The Directors have considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance ("AIC Code") by reference to the Association of Investment Companies Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Directors consider reporting against principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

#### 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 Company:

- review the overall objectives for the Company as described in the prospectus and set the Company'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 Company and in any joint ventures in which the Company may invest in from time to time;
- evaluate its own performance and that of the individual Directors;
- appoint the Managers, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings; and
- review key elements of the Company's performance including NAV and payment of dividends.

Other than Christopher Spencer who owns 30,067 US\$ Equity Shares, no other Director holds directly or indirectly shares in the Group.

From 1 January 2007 Mr. Ash is entitled to receive Directors fees of £25,000 per annum. Mr. Loudon and Mr. Spencer are each entitled to receive Directors fees of £20,000 per annum. Mr Getschow has waived his right to Directors fees.

## **Directors' Report (continued)**

### **Corporate Governance (continued)**

From 1<sup>st</sup> January 2011 Mr. Ash is entitled to receive Directors fees £40,000 per annum, Mr. Loudon and Mr. Spencer are each entitled to receive Directors fees of £30,000 per annum. Mr Getschow has waived his right to Directors Fees.

#### **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 Company's strategy are generally considered by the Board to be non strategic in nature and are delegated either to the Managers or the Administrator, the Board considers that there are implementation matters that are significant enough to be of strategic importance to the Company and should be reserved to the Board (e.g. investments made by the Company).

#### **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  
Christopher Paul Spencer  
Gregory Getschow (appointed 11 June 2009)

The UK Corporate Governance Code recommends that Directors should be appointed for a specified period. Mr Getschow will be put forward for re-election as an executive Director of the Company on an annual basis and the other directors on a three year basis.

#### **Directors Interests**

Mr. Gregory Getschow is a senior executive of Bear Stearns Asset Management Inc., one of the Managers to the Group and a subsidiary of JPMorgan Chase & Co. Other than Christopher Spencer who owns 30,067 US\$ Equity Shares, no other Director holds directly or indirectly shares in the Company.

#### **Audit Committee**

The Board as a whole fulfils the function of an audit committee in relation to, amongst other things, monitoring the internal controls and risk management systems of the Company and its service providers, reviewing the financial statements of the Company, monitoring the independence of the auditor and the effectiveness of the audit process and reviewing the findings of the external auditor. The Board considers that, given its size and the size of the Company, it would not be appropriate to establish a separate audit committee.

#### **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. The Board considers that, given its size and the size of the Company, it would not be appropriate to establish a separate remuneration committee.

#### **Nomination Committee**

The Board as a whole fulfils the function of a nomination committee. The Board considers that, given its size and the size of the Company, it would not be appropriate to establish a separate 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 Managers and the Administrator. The Managers' report comments on:

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

## Directors' Report (continued) Corporate Governance (continued)

The Administrator provides a compliance report at each quarterly meeting.

These reports enable the Board to assess the success with which the Company'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 2011.

	Quarterly Board Meetings Attended	Other Ad-hoc Board Meetings Attended
Trevor Charles Ash	4	4
John Loudon	1	1
Christopher Paul Spencer	4	2
Gregory Getschow	2	6
No. of meetings during the year	4	8

In between its regular quarterly meetings, the Board has also met on a number of occasions during the year to approve specific corporate actions such as approve the issuance of additional shares. It has not always been possible for all Directors to attend these meetings. (Note – The Company maintains liability insurance for its Directors and Officers although the Company has no employees and none of its Directors are Executive.)

### Internal Controls

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

The key internal 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 JP Morgan Asset Management (UK) Limited, Bear Stearns Asset Management Inc, and HSBC Management (Guernsey) Limited ("HMG"), respectively. The Company's system of internal control therefore is substantially reliant on the Managers' 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 Managers' 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 the Managers internal risk team.
- Investment Strategy – The Company's strategy is authorised and monitored on a regular basis by the Board.

### Managers

The Group entered into an amended and restated management agreement during the year. Under the new agreement dated 29<sup>th</sup> December 2010 the Group agreed that henceforth it be provided with investment management services by JPMorgan Asset Management (UK) Limited, in addition to Bear Stearns Asset Management Inc.

## Directors' Report (continued)

The Managers' key responsibilities 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 Managers are also responsible for all issues pertaining to asset management.

In light of the performance of the Company since incorporation it is the view of the independent Directors that it is in the best interests of the Shareholders to continue with the current appointment of the Managers 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 and sub-administrator 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 year.

### Dividends

The Directors do not propose the payment of a dividend.

### Independent Auditor

Due to recent regulatory changes, KPMG Channel Islands Limited have notified the Board of their intention to resign.

### Shareholder Relations

Shareholder communications are a high priority for the Board. The Managers produce a monthly fact sheet which is distributed to shareholders and released to the London Stock Exchange. Members of the Managers' 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 Managers to quarterly Board meetings.

In addition, the Board is also kept fully apprised of all market commentary on the Company by the Managers and other professional advisers including the Company'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 the Managers will be available at each Annual General Meeting to answer any questions that attending shareholders may have.

### Substantial Interests

Disclosure and Transparency Rules are comprised in the Financial Services Authority Handbook. Such rules require substantial shareholders to make relevant holding notifications to the Company and the UK Financial Services Authority. The Company must then disseminate this information to the wider market.

### Results of Annual General Meeting (AGM) of 7 June 2011

The Company convened an AGM on 7 June 2011 to vote on a series of special and ordinary resolutions all of which were approved by the shareholders. A full list of these resolutions can be seen on page 11 in the corporate actions report.

## Directors' Report (continued)

### Statement of the Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, Annual Report and Financial Statements in accordance with the applicable laws and regulations.

Guernsey company law requires the Directors to prepare financials statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable law.

The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

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, 2008. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

Date: 31 October 2011



## **Independent auditor's report to the members of J.P. Morgan Private Equity Limited**

We have audited the consolidated financial statements (the "financial statements") of J.P. Morgan Private Equity Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:


- give a true and fair view of the state of the Group's affairs as at 30 June 2011 and of its results for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

## Independent auditor's report to the members of J.P. Morgan Private Equity Limited (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.



Dermot A. Dempsey  
For and on behalf of KPMG Channel Islands Limited  
Chartered Accountants and Recognised Auditors  
31 October 2011

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
<b>Investment income</b>			
Interest and distribution income	3	20,427	7,117
Net gains on investments	10	45,009	18,396
Realised foreign currency loss	7	(10,662)	(101)
		<u>54,774</u>	<u>25,412</u>
<b>Expenses</b>			
Investment management fee	17	(8,069)	(8,368)
Administrative fee	17	(459)	(447)
Audit fee		(241)	(191)
Directors' fees	19	(141)	(196)
Performance fee	17	(2,732)	(2,595)
Other expenses	5	(5,226)	(2,864)
		<u>(16,868)</u>	<u>(14,661)</u>
<b>Net profit before finance costs</b>		<b>37,906</b>	<b>10,751</b>
<b>Finance costs</b>			
Loan interest payable	4	(10,904)	(11,230)
ZDP interest payable	14	(9,683)	(5,232)
Unrealised foreign currency (loss)/gain	6	(5,784)	8,813
<b>PROFIT BEFORE TAX</b>		<u><b>11,535</b></u>	<u><b>3,102</b></u>
Tax expense	1	(3)	(2)
<b>PROFIT FOR THE YEAR</b>		<u><b>11,532</b></u>	<u><b>3,100</b></u>
<b>Other comprehensive income</b>			
Movement in currency translation reserve		16,308	3,081
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>27,840</b></u>	<u><b>6,181</b></u>
Profit attributable to:			
Owners of the Company		7,937	9,729
Non-controlling interests		3,595	(6,629)
		<u>11,532</u>	<u>3,100</u>
Total comprehensive income attributable to:			
Owners of the Company		16,992	11,960
Non-controlling interests		(684)	(5,779)
		<u>27,840</u>	<u>6,181</u>
<b>Earnings per share</b>			
Basic and diluted earnings per share	18	2c	1c

All items in the above statement are derived from continuing operations. The notes on pages 39 to 76 form an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 \$'000	30 June 2010 \$'000
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	11	760,823	632,193
<b>Current assets</b>			
Cash and cash equivalents	2	38,843	110,341
Receivables	8	4,617	14,897
Derivative financial assets	12	311	16,845
		43,771	142,083
<b>Current liabilities</b>			
Loan balances	13	(32,166)	-
Payables and accruals	9	(17,266)	(12,665)
Derivative financial liabilities	12	(1,939)	(1,669)
<b>Net current assets</b>		<b>(7,600)</b>	<b>127,749</b>
<b>Non-current liabilities</b>			
Loan balances	13	(121,571)	(160,079)
Zero dividend preference shares	14	(130,628)	(113,362)
		(252,199)	(273,441)
<b>Net Assets</b>		<b>501,024</b>	<b>486,501</b>
<b>Represented by:</b>			
Share capital	15	444,335	458,624
Reserves	15	36,316	11,387
<b>Total equity attributable to equity holders of the Company</b>		<b>480,651</b>	<b>470,011</b>
Non-controlling interests		20,373	16,490
<b>Total equity</b>		<b>501,024</b>	<b>486,501</b>
NAV per Equity share	21	\$1.36	\$1.28

The consolidated financial statements on pages 34 to 76 are approved by the Board of Directors on 31 October 2011 and are signed on its behalf by:

  
Trevor Ash  
Director

  
Chris Spencer  
Director

The notes on pages 39 to 76 form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Share Capital S'000	Share Premium S'000	Warrants S'000	Accumulated Losses S'000	Capital Reserve S'000	Currency Translation Reserve S'000	Total S'000	Non- controlling interests S'000	Total S'000
At 1 July 2010	-	458,648	7,235	(34,739)	10,222	28,645	470,011	16,490	486,501
Profit/(loss) for the year (note 15)	-	-	-	(23,396)	31,333	-	7,937	3,595	11,532
Other comprehensive income for the year	-	-	-	-	-	16,992	16,992	(684)	16,308
<b>Total comprehensive income for the year</b>	-	-	-	<b>(23,396)</b>	<b>31,333</b>	<b>16,992</b>	<b>24,929</b>	<b>2,911</b>	<b>27,840</b>
Share buy backs (note 15)	-	(14,348)	-	-	-	-	(14,348)	-	(14,348)
Shares issued on warrant conversion (note 16)	-	63	(4)	-	-	-	59	-	59
Additional capital contribution in subsidiary by minority interests	-	-	-	-	-	-	-	972	972
<b>Total transactions with owners of the company as at 30 June 2011</b>	-	<b>(14,285)</b>	<b>(4)</b>	-	-	-	<b>(14,289)</b>	<b>972</b>	<b>(13,317)</b>
<b>As at 30 June 2011</b>	-	<b>444,363</b>	<b>7,231</b>	<b>(58,135)</b>	<b>41,555</b>	<b>45,637</b>	<b>480,651</b>	<b>20,373</b>	<b>501,025</b>

The notes on pages 39 to 76 form an integral part of these consolidated financial statements

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Share Capital \$'000	Share Premium Account \$'000	Warrants \$'000	Accumulated Losses \$'000	Capital Reserve \$'000	Currency Translation Reserve \$'000	Total \$'000	Non- controlling interests \$'000	Total \$'000
At 1 July 2009	-	366,445	-	(17,980)	(8,607)	26,415	366,273	19,796	386,069
Profit/(loss) for the year (note 15)	-	-	-	(9,500)	19,229	-	9,729	(6,629)	3,100
Other comprehensive income for the year	-	-	-	-	-	2,231	2,231	850	3,081
<b>Total comprehensive income for the year</b>	-	-	-	<b>(9,500)</b>	<b>19,229</b>	<b>2,231</b>	<b>11,960</b>	<b>(5,779)</b>	<b>6,181</b>
Share buy backs	-	-	-	-	-	-	-	-	-
Treasury sale	-	19,789	-	-	-	-	19,789	-	19,789
Tap issue	-	73,687	-	-	-	-	73,687	-	73,687
Issue of bonus warrants	-	-	7,259	(7,259)	-	-	-	-	-
Shares issued on warrant conversion	-	206	(24)	-	-	-	182	-	182
Share issue costs	-	(1,479)	-	-	-	-	(1,479)	-	(1,479)
Additional capital contribution in subsidiary by minority interests	-	-	-	-	-	-	-	2,072	2,072
Minority interest ceded	-	-	-	-	(400)	-	(401)	401	-
<b>Total transactions with owners of the company as at 30 June 2010</b>	-	<b>92,203</b>	<b>7,235</b>	<b>(7,259)</b>	<b>(400)</b>	-	<b>91,778</b>	<b>2,473</b>	<b>94,251</b>
<b>As at 30 June 2010</b>	-	<b>458,648</b>	<b>7,235</b>	<b>(34,739)</b>	<b>10,222</b>	<b>28,646</b>	<b>470,011</b>	<b>16,490</b>	<b>486,501</b>

The notes on pages 39 to 76 form an integral part of these consolidated financial statements

## Consolidated Statement of Cashflows

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>Operating activities</b>			
Profit for the year		11,532	3,100
Adjustments for:			
Interest	3	(155)	(201)
Distributions from investments	3	(20,272)	(6,916)
Interest expense	4,14	20,587	16,462
Tax rebates		-	85
Net derivative losses/(gains)	10	16,804	(9,280)
Net gains on investments	10	(61,813)	(9,116)
Unrealised foreign currency loss/ (gain)		5,784	(8,813)
<b>Operating cash flows before changes in working capital</b>		<b>(27,533)</b>	<b>(14,679)</b>
Decrease/(increase) in receivables		(117)	(16,852)
Increase/(decrease) in payables		3,725	(1,318)
Net cash movement in derivative contracts		(2,524)	(6,351)
<b>Cash flows from operating activities</b>		<b>(26,449)</b>	<b>(39,200)</b>
<b>Investing activities</b>			
Purchase of investments		(108,993)	(87,262)
Net proceeds from sale of non-current financial assets		84,788	73,027
Interest received	3	155	201
Other income distributions from investments	3	20,272	9,763
<b>Cash flows from investing activities</b>		<b>(3,778)</b>	<b>(4,271)</b>
<b>Financing activities</b>			
Proceeds on issue of equity shares	15	59	73,869
Equity shares buy back	15	(14,348)	-
Issue costs		-	(1,479)
Loans received		80,459	4,000
Loans paid		(101,015)	(9,049)
Interest paid		(8,335)	(10,377)
Loan arrangement fee paid		(600)	-
Additional capital contribution in subsidiary by minority interests		972	2,072
Drawdown on investors		164	-
Proceeds from treasury share sale		-	19,789
Proceeds from issue of Zero Divided Preference shares		-	48,298
Buyback of Zero Dividend Preference share		(825)	-
<b>Cash flows from financing activities</b>		<b>(43,469)</b>	<b>127,123</b>
<b>Net increase in cash and cash equivalents</b>		<b>(73,696)</b>	<b>83,652</b>
Cash and cash equivalents at beginning of year		110,341	29,397
Effects of exchange difference arising from cash and cash equivalents		2,198	(2,708)
<b>Cash and cash equivalents at end of the year</b>		<b>38,843</b>	<b>110,341</b>

The notes on pages 39 to 76 form an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

### I. SIGNIFICANT ACCOUNTING POLICIES

J.P. Morgan Private Equity Limited ("the Company") is a closed ended investment fund incorporated as a limited liability company in Guernsey under the Companies (Guernsey) Law, 2008. As at 30 June 2011, the Company's capital structure consisted of three classes of shares, Equity Shares and two series of Zero Dividend Preference Shares, all of which are listed on the London Stock Exchange.

The primary objective of the Company and its subsidiaries (together "the Group") is to achieve capital growth, with income as secondary objective, from a diversified portfolio consisting predominantly of private equity limited partnership interests. 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 the Group. Balances within the Statement of Changes in Equity have been reclassified to improve the presentation surrounding the disclosure of warrants by the Company. Certain comparative amounts have been reclassified to conform to the current year's presentation..

#### 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") and interpretations issued by the International Financial Reporting Interpretations Committee. They give a true and fair view and are in compliance with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority.

#### *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations in issue are not yet effective for the year ended 30 June 2011, and have not been applied in preparing these financial statements. The Directors are considering the potential effect of the implementation of the new standards.

#### **IFRS 9: Financial Instruments** (effective for accounting periods beginning on or after 1 January 2013).

IFRS 9 deals with classification and measurement of financial assets and its requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of *held to maturity*, *available for sale* and *loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value. The Directors of the Group are currently in the process of evaluating the potential effect of this standard.



## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### IAS 24: Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)

The accounting standard IAS 24 ensures that financial statements contain the necessary disclosures to draw attention to the possibility that a reporting entity's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

The Group have considered the impact of the changes to the definition of a related party, these changes are not expected to have an impact on the financial statements. The Group does not currently have any related party relationships that are affected by the change.

#### IFRS 10: Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)

IFRS 10 establishes a new control model that applies to all entities. It replaces part of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation- Special Purpose Entities.

This standard is not applicable until January 2013 but is available for early adoption.

The Group has not yet decided when to adopt IFRS 10, the Directors of the Group are currently in the process of evaluating the potential effect of this standard.

#### IFRS 12: Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)

IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non controlling interests.

This standard is not applicable until January 2013 but is available for early adoption.

The Group has not yet decided when to adopt IFRS 12, but does not expect this will have a significant effect on the Group's financial statements.

#### IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.

IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

This standard is not applicable until January 2013 but is available for early adoption.

The Group has not yet decided when to adopt IFRS 13, but does not expect this will have a significant effect on the Group's financial statements.

#### Basis of Preparation

These consolidated financial statements have been prepared in US Dollars on the historical cost basis except for investments and derivative financial instruments that are measured at fair value with changes in fair value recognized

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Preparation (continued)

in the consolidated statement of comprehensive income. Other financial assets and financial liabilities including receivables, payables, accruals, loans and zero dividend preference shares are stated at amortised cost.

The preparation of consolidated 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 consolidated financial statements are described below in *key estimates and assumptions*.

#### 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 consolidated financial statements.

#### 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. 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 statement of financial position 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 profit or loss in the period of the change.

##### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 statement of financial position and statement of comprehensive income 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 plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. All purchases of financial assets are recorded at trade date, being the date on which the 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.

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 consolidated statement of financial position at fair value. Equity investments at fair value through profit and loss are initially recognised at acquisition cost and related transaction costs are recognised immediately in the consolidated statement of comprehensive income within other expenses.

Investments in funds are recorded at the fair value of the Group's percentage holding as reported by the general partners of these funds per the capital statement. 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 Group believes that this value, in most cases, represents fair value as of the relevant statement date, although, if other factors lead the Group to conclude that fair value provided by the general partner does not represent actual fair value, the Directors and Managers will adjust the value of the investment from the general partner's estimate.

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 consolidated statement of comprehensive income under net gains/losses on investments.

Investments made by the Group are generally considered to be long term investments and are not intended to be disposed of on a short term basis. Accordingly, while the valuation at the year end represents the Directors' best estimate of the realisable amount at the year end they 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. The key estimates and assumptions used to arrive at the valuation of unlisted investments are stated on pages 46 to 47.

The disclosure requirements in IFRS 7 establish a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and characteristics specific to the investment. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments that would generally be included in Level I include listed equities and listed derivatives. The Group, to the extent it holds such investments, does not adjust the quoted price for these investments, even in situations where the Group holds a large position and a sale could reasonably impact the quoted price.
- Level II – Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The types of investments that would generally be included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.
- Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The types of investments that would generally be included in this category include equity and/or debt securities issued by private entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a Portfolio Fund's level within the above hierarchy is based on the lowest level of input that is

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a) Financial assets at fair value through profit or loss (continued)

significant to the fair value measurement. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the Portfolio Fund.

#### 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. 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.

#### c) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently re-measured 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 consolidated statement of comprehensive income within 'net gains on investments'.

The Groups' derivative financial instruments comprise of a put option and foreign exchange forward contracts. The fair value of these instruments is based on their quoted price. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

#### d) De-recognition 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.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

#### 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 Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the 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) De-recognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on de-recognition is taken to the consolidated statement of comprehensive income.

#### 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.

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Zero Dividend Preference shares

Zero Dividend Preference shares ("ZDP Shares") are classified as a liability in the consolidated financial statements as the ZDPs have a maturity date of either 28 June 2013 or 31 December 2015 and receive a fixed redemption yield of 7% or 8.25%, respectively. On 12 September 2011 the Group issued a new class of ZDP shares. These ZDP Shares have a maturity date of 31 December 2017 and receive a fixed redemption yield of 8.25%.

Each class of ZDP Shares 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 consolidated statement of comprehensive income and charged to the capital reserves.

#### 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 the share capital account.

#### Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, and for the effects of the dilutive potential ordinary shares of the warrants outstanding.

#### Treasury Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from the share capital account. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in the share capital account.

#### Provisions

The Group recognises provisions when a present legal or constructive obligation as a result of a past event exists, and it is probable that an outflow of economic benefits is required to settle the obligation. Provisions are measured at net present value and take into account legal fees. The expected future cash outflows are discounted at appropriate pre-tax interest rates, reflecting current market assessments of the time value of money and, if applicable, the risks specific to the liability. The increase of provisions as a result of the passage of time is recognised in the consolidated statement of comprehensive income under finance costs.

#### Net gains on investments

Net gain on investments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

Net realised gains on investments at fair value through profit or loss are recognised when the de-recognition criteria for financial assets are met. Gain or loss is recognised when persuasive evidence exists, usually in the form of a sale agreement, that the significant risks and rewards of ownership have transferred to the buyer, recovery of the consideration is probable, there is no continuing management involvement with the investment, and the amount of gain or loss can be measured reliably.

#### Dividend and other distribution income

Dividend and other distribution income is measured at the fair value of the consideration received or receivable. Dividends and other distribution income is recognised when persuasive evidence exists, usually in the form of a dividend or distribution notice that payment will be made, and the amount of the dividend or distribution can be measured reliably.

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Interest

Interest income and expense is recognised in the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

#### Performance Fees

Performance fees are recognised on an accruals basis in the consolidated statement of comprehensive income. The performance period is concurrent with the annual accounting period.

#### Segmental information

The Board has considered the requirements of IFRS 8 – “Operating Segments”. The Board is of the view that the Group is engaged in a single segment of business, being Private Equity. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Group.

The Board is charged with setting the Group’s investment strategy in accordance with the Group’s Prospectus. They have delegated the day-to-day implementation of this strategy to the Managers but retain responsibility to ensure that adequate resources of the Group are directed in accordance with their decisions. The Managers have been given full authority to act on behalf of the Group in the management of the Group’s assets in accordance with the Amended and Restated Investment Management Agreement on behalf of the Group and to carry out other actions as appropriate to give effect thereto.

Whilst the Managers may take investment decisions on a day-to-day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Managers. The Board therefore retains full responsibility as to the major allocation decisions made on an ongoing basis. The Managers will act under the terms of the Amended and Restated Investment Management Agreement which cannot be changed without the approval of the parties to the agreement.

The key measure of performance used by the Board to assess the Group’s performance and to allocate resources is the NAV which is prepared on a monthly basis by HSBC Management (Guernsey) Limited (“the Administrator”). The NAV reported by the Administrator is prepared on a basis consistent with International Financial Reporting Standards.

The Company’s assets held as of the period end and the geographical area the Company is invested into are presented in the Portfolio Review on pages 16 to 20. The Company does not hold any non-current assets other than financial instruments.

#### Foreign Exchange

##### Functional and presentation currency

The Board of Directors has resolved that the consolidated financial statements of the Group be presented in the US Dollar. The Board of Directors considers the US Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in the US Dollar, which is also the Company’s functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in the consolidated statement of comprehensive income. Gains and losses arising from the translation of subsidiary balances are treated as other comprehensive income and are presented in the currency translation reserve in equity in the consolidated statement of financial position.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the consolidated statement of comprehensive income within ‘realised and unrealised foreign currency (loss)/gain’.

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the consolidated statement of comprehensive income within 'Net gains on investments'.

All Guernsey based companies fall under the Zero-10 tax 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 MPCT is fully distributed either by way of cash or reinvestment (i.e. unit holders are presently entitled to the income of MPCT).

BSPEL (Lux) S.a.r.l. is fully taxable and is subject to two different types of taxes in Luxembourg. The first type is levied on the annual profit of the company (corporate income tax and municipal income tax) and a second is annually levied on the wealth of the company (net wealth tax).

For the latest tax return received on July 29, 2011, the estimated tax burden was €2,180. The estimated tax burden for 2010 is €1,305.

Bear Stearns Global Turnaround Fund, LP, a Delaware partnership, is not subject to income tax. As a partnership, tax basis income and losses are passed through to the Company as sole limited partner and accordingly, there is no provision for income taxes.

Iberian Acquisition Holdings, LLC is a Delaware Limited Liability Company which is treated as a partnership for income tax purposes. All business losses, profits, and expenses are passed through to the Company as its sole member.

#### 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 and consolidation of subsidiaries.

#### Valuation of investments

The unquoted investments 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.

Investments in private equity funds do not have a readily available market and are generally valued based on the fair value of each private equity fund as reported by the respective general partner as per the capital statement, which necessarily incorporates estimates made by those general partners. The Group believes that this value, in most cases, represents fair value as of the relevant statement date, although, if other factors lead the Group to conclude that fair value provided by the general partner does not represent actual fair value, the Directors and Managers will adjust the value of the investment from the general partner's estimate. The Group estimates fair value based on publicly available information and the most recent financial information provided by the general partners, as adjusted for cash flows since the date of the most recent financial information.

Additionally, the value of public equity securities known to be owned by the private equity funds, based on the most recent information reported to the Group by the general partners, have been marked to market as of the last quoted price on the reporting date.

## Notes to the Consolidated Financial Statements (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Key estimates and assumptions (continued)

Where applicable, a discount is applied to such securities based on an estimate of the discount applied by the general partners (to account for restrictions or other constraints) in calculating NAV. The transfer of each of the Groups' investments in private equity funds generally requires the consent of the corresponding private equity fund manager, and the transfer of certain fund investments is subject to rights of first refusal or other pre-emptive rights, further limiting the Company from transferring an investment in a private equity fund.

The weighted average life of the Groups' investments in private equity funds was 4.8 years as at the reporting date prior to any extensions based upon the funds' stated termination date. It is common practice for general partners to extend the life of a fund for a period of several years beyond the original termination date. Thus, it is likely that the average remaining life for Groups' investments in private equity funds is materially greater than 4.8 years. Historical J-curves analysis for private equity investments indicates that the average life for a fund is fifteen years.

Direct co-investments and other investments where no fair value is being provided to the Group by the general partner or sponsor are carried at fair value, as estimated by the Directors and Managers. In estimating fair value, the Directors and Managers also consider the value assigned to each investment by the fund with which the Group has co-invested, to the extent known. The Directors and Managers also considers the estimated fair value based on the projected enterprise value at which the underlying company could be sold in an orderly disposition over a reasonable period of time and in a transaction between willing parties other than in a forced sale or liquidation. In these instances, market multiples considering specified financial measures (such as EBITDA, adjusted EBITDA, cash flow, net income, revenues or NAV) and/or a discounted cash flow or liquidation analysis can be used.

Consideration may also be given to such factors as the company's historical and projected financial data, valuations given to comparable companies, the size and scope of the company's operations, the company's strengths, weaknesses, applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. The Directors and Managers may also engage the services of a third party valuation firm to assist with valuing the asset.

Valuations for private equity funds acquired in secondary purchases are determined on a fund by fund basis taking into consideration a number of factors including: the purchase price paid for the fund, the valuation applied by the general partner in the most recently available statements (adjusted for cash flows through the purchase date), the conditions under which the assets were purchased, market and economic conditions at the time of purchase and other factors considered relevant at the time of the transaction. The public equity securities known to be owned within the purchased private equity fund, based on the most recent information reported to the Group by the general partners, have been marked to market and a discount applied to such securities based on an estimate of the discount applied by the general partners (to account for restrictions or other constraints) in calculating NAV in the month in which the assets are purchased.

#### Consolidation

The management is also required to assess, for each entity in which it invests, whether it is in a position of control and should therefore consolidate the assets, liabilities and results of that entity. Control is presumed to exist when the Company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. However in some exceptional circumstances the management may assess that the Company does not control another entity even though it holds more than half the voting rights of the other entity or controls another entity when it holds less than half of the voting rights.

In making its assessment the management will consider whether the Company or another investor has control of another entity by virtue of:

- power over more than half of the voting rights by virtue of an agreement with other investors;
- power to govern the financial and operating policies of the entity under a statute or an agreement;
- power to appoint or remove the majority of the members of the board of directors or an equivalent governing body and control of the entity is by that board of directors or body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board of directors or body.



## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES

#### Introduction and overview

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

Assets	2011 \$'000	2010 \$'000
Financial assets designated at fair value through profit or loss upon initial recognition:		
- Equity investments	760,823	632,193
- Held for trading - derivatives	311	16,845
Loans and receivables	43,460	125,238
<b>Total financial assets</b>	<b>804,594</b>	<b>774,276</b>
<b>Liabilities</b>		
Financial liabilities held for trading- derivatives	(1,939)	(1,669)
Financial liabilities measured at amortised cost	(301,631)	(286,106)
<b>Total financial liabilities</b>	<b>(303,570)</b>	<b>(287,775)</b>

This note presents information about the Group's exposure to each significant area of risk, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk management framework

The Group, the Group's investments and the underlying portfolio companies are materially affected by a variety of conditions in the global financial markets and economic conditions throughout the world, including, but not limited to rising interest rates, inflation, business and consumer confidence, availability of credit, currency exchange rates and controls and changes in laws. These factors are outside the Group's control and may affect the level and volatility of securities prices, the amount of distributions received from investments in the portfolio and the liquidity and the value of investments. The Group may be unable to mitigate its exposure to these conditions as efforts to manage its exposure may or may not be effective.

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. While the Group intends to make investments that will create long-term value for shareholders, the investments made may not appreciate in value and, in fact, may decline in value. Moreover, the Group's historical financial performance, in particular its Net Asset Value, reflects unrealised gains on investments as of applicable measurement dates which may never be realised due to many factors, some of which are not in the Group's control, which may adversely affect the ultimate value realised from the Group's investments. The success of any of the investments in the portfolio will depend upon:

- the quality of its management and the management of the portfolio companies in which it invests;
- its ability to select successfully investment opportunities;
- general economic conditions; and
- its ability to liquidate its investments.

The Group can offer no assurance that its investments will generate gains or income or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

The Group anticipates that the scope of risk management activities it undertakes will vary based on the level and volatility of interest rates and public equity indexes, prevailing foreign currency exchange rates, the type of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines.

Please refer to the Group's Prospectus for further risk disclosures.

#### Market risk

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

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

#### Market Risk (continued)

The private equity funds and direct private equity investments in the Groups' portfolio may be materially affected by conditions in the global financial markets and economic conditions. The capital and credit markets have experienced unprecedented volatility and disruption over recent periods. Uncertainty created by market and economic conditions and a tightening of credit could lead to declines in valuations of equity and debt securities without regard to the underlying financial condition of the issuer in certain cases.

The global financial markets and economic conditions may become dislocated or deteriorate, due to a variety of factors beyond the control of the Group. The general partners of the funds held by the Group may face reduced opportunities to sell and realise value from their existing portfolio companies, and portfolio companies may employ substantial indebtedness that may be difficult to extend or replace and which may magnify the impact of any valuation changes.

In addition, while difficult market conditions may increase opportunities to make certain distressed asset investments, such conditions also increase the risk of default with respect to portfolio companies with debt investments. Such defaults would adversely affect the profitability and net asset values of the investment funds in the Group Portfolio, and consequently, the profitability, Net Asset Value and Share price of the Group. Furthermore, during periods of adverse economic conditions, the Group may have difficulty accessing financial markets, which could make it more difficult or impossible for the Group to obtain funding for additional investments and harm its profitability, Net Asset Value and Share price. Deteriorating conditions in the global financial markets, and actions by governments to address them, have created a great deal of uncertainty for the asset management industry, which may adversely affect the Group's investments, access to financing, competitive landscape and overall performance.

#### Management of market risks

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 Group also makes investments in individual companies by co-investing with private equity sponsors. These investments are generally illiquid and non-public, however the Group may at times invest in public listed securities. The Group's market risks are managed on an ongoing basis by the Managers and are discussed with the Board of Directors on a quarterly basis.

The Managers work 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 Managers 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 Company's investment portfolio at the reporting date are disclosed in the Portfolio Review on pages 16 to 18.

The Managers invest on a highly selective basis and seeks opportunities with high quality private equity investment firms that have proven track records and capabilities. The Managers 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 Managers to evaluate specific private equity assets.

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

#### Exposure to 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 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.

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued) Exposure to interest rate risk (continued)

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 invested in underlying portfolio companies whose capital structures may have a significant degree of indebtedness. Investments in 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 2011, all of the Company's direct corporate borrowings were from its US\$150 million secured credit facility, of which US\$75 million was drawn as at 30 June 2011. This capital is a floating rate debt with the interest expenses incurred from this facility based on the US London Interbank Offer Rate (LIBOR) or Euro Interbank Offered Rate (EURIBOR) as applicable.

The Group has non-recourse indebtedness of \$1,776,114 and € 28,700,000 (2010: \$1,776,114 and €24,750,000) and AU\$ 30,000,000 (2010: AU\$ 30,000,000) through its BSPEL/MIGDAL Mezzanine Limited and BSPEL Australia Limited subsidiaries respectively which have been consolidated in these financial statements. 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 Group has issued a \$4,000,000 promissory note to Media Champion Investments Limited in exchange for equity interest in China Media Enterprises Limited. The promissory note bears interest at fixed rate of 6% per annum.

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 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.

Recourse on external borrowings will only be undertaken if the Directors and the Managers 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 Group.

Such borrowings are also limited in size by the Group's internal policies, as the Directors have restricted aggregate borrowings to 20 per cent of the Adjusted Total Capital and Reserves of the Company. As a result, the Managers may forgo investments that are highly leveraged, 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 Managers in accordance with its internal policies. 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 reporting date analysed by financial assets and liabilities of fixed and variable rate instruments.

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued) Exposure to interest rate risk (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
<b>Fixed Rate Instruments</b>		
Financial Liabilities	(130,628)	(113,362)
	(130,628)	(113,362)
<b>Variable Rate Instruments</b>		
Financial Assets	39,154	127,186
Financial Liabilities	(155,676)	(161,748)
	(116,522)	(34,562)
<b>Total interest sensitivity gap</b>	(247,150)	(147,924)

An increase in 100 basis points in interest rates as at the reporting date would have decreased shareholders equity by \$ 2,472,000 (2010: \$1,479,000). A decrease of 100 basis points would have had an equal but opposite effect. Moreover, the average outstanding loan and cash balances for the fiscal year ended 30 June 2011 may differ materially from the fiscal year ended 30 June 2010, which would impact the results of the sensitivity analysis.

#### Exposure to currency risk

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of the Group's assets and liabilities, the Net Asset Value and the market price of the Equity Shares. The Company's functional currency is the US Dollar. As a result foreign currency assets and liabilities will be translated to US Dollars. The Group 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 favourable or unfavourable 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 Managers may engage in currency hedging to limit the Group's exposure to currency fluctuations. Currency hedging by the Managers 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. To date, the Group has employed put options, spot and forward foreign exchange contracts.

During the year the Group realises a foreign currency loss of \$10,662,000 this was largely a result of the currency hedges placed to mitigate the Groups exposure to the Australian Dollar.

The use of forward foreign exchange contracts requires a margin (moneys deposited with the forward foreign exchange counterparty), which reduces the funds available to increase the Group's investment base. The success of any hedging or other derivative transactions that the Group may enter into will generally depend on its ability to correctly predict market changes. As a result, while the Group may enter into such transactions for a particular class of shares in order to reduce its exposure to currency fluctuations, unanticipated market changes may negatively affect the outcome of such transactions. The Group is also subject to the risk that counterparties in any hedging or other derivative transactions will be unable or unwilling to perform their obligations. The Group's counterparty risk

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued) Exposure to currency risk (continued)

has increased as credit and liquidity have become constrained in the global financial markets. There can be no assurance that currency hedging will be effective and that the Group's financial condition will not be adversely affected by fluctuations in currency exchange rates. Furthermore, if any of the Group's counterparties were to default on their obligations under derivative contracts, it could have a material adverse effect on the Group's business, financial condition or results of operations.

A substantial portion of the Group'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 are 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 are reported in US Dollars.

The Managers consider currency risk when making investments into non-US Dollar denominated assets and monitor currency movements on an ongoing basis. The Managers discuss their 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.

At the reporting date the carrying value of the Company, BSPEL/Migdal Mezzanine Limited, and BSPEL Australia Limited's, separately stated, financial assets and financial liabilities held in individual foreign currencies as a percentage of its net assets were as follows:

Currency	Company	
	2011	2010
Euro	19%	9%
Sterling	-23%	1%
Australian Dollar	12%	9%
	8%	19%

Currency	BSPEL/Migdal Mezzanine Limited	
	2011	2010
Euro	100%	100%
	100%	100%

Currency	BSPEL Australia Limited	
	2011	2010
Euro	15%	10%
Sterling	2%	2%
US Dollar	30%	39%
	47%	51%

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

#### 2011 Company

	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Net exposure \$'000
Euro	182,795	-	(90,271)	92,524
Sterling	18,758	(130,627)	-	(111,869)
Australian Dollar	96,393	-	(37,522)	58,871

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued) Exposure to currency risk (continued)

#### 2011 BSPEL/Migdal Mezzanine Limited

	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Profit or Loss \$'000	Net exposure \$'000
Euro	123,862	(43,562)	-	25,060	105,360

#### 2011 BSPEL Australia Limited

	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Net exposure \$'000
Euro	14,884	-	-	14,884
Sterling	2,226	-	-	2,226
US Dollar	28,749	-	-	28,749

#### 2010 Company

	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Net exposure \$'000
Euro	156,202	-	(115,761)	40,441
Sterling	19,243	(113,362)	97,201	3,082
Australian Dollar	82,356	-	(40,267)	42,089
Yen	172	-	-	172

#### 2010 BSPEL/Migdal Mezzanine Limited

	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Profit or Loss \$'000	Net exposure \$'000
Euro	93,063	(32,104)	-	(14,636)	46,323

#### 2010 BSPEL Australia Limited

	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Net exposure \$'000
Euro	8,743	-	-	8,743
Sterling	2,057	-	-	2,057
US Dollar	32,804	-	-	32,804

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. Based on the standard deviation of currency fluctuations, the volatility of each currency has been assessed at the year end; had the reporting currency of each subsidiary entity (where the functional currency is not USD) strengthened by the following amounts in relation to the other currencies, shown in the table below with all other variables held constant, shareholders' equity and profit and loss would have decreased/(increased) by the amounts shown below:

#### USD

	Percentage Standard Deviation	
	2011	2010
Euro	4%	6%
Sterling	2%	4%
Australian Dollar	6%	5%
Yen	-	2%
UAE Dinar	5%	-

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued) Exposure to currency risk (continued)

#### AUD

	Percentage Standard Deviation	
	2011	2010
Euro	3%	7%
Sterling	4%	6%
US Dollar	6%	5%

	Company	
	2011 \$'000	2010 \$'000
Euro	3,701	2,426
Sterling	(2,237)	123
Australian Dollar	3,532	2,104
Yen	-	3
UAE Dinar	-	-
<b>Total</b>	<b>4,996</b>	<b>4,656</b>

	BSPEL/Migdal Mezzanine Limited	
	2011 \$'000	2010 \$'000
Euro	4,214	2,780
<b>Total</b>	<b>4,214</b>	<b>2,780</b>

	BSPEL Australia Limited	
	2011 \$'000	2010 \$'000
Euro	447	612
Sterling	89	123
US Dollar	1,725	1,640
<b>Total</b>	<b>2,261</b>	<b>2,375</b>

The relevant weakening of the reporting currency against the above currencies would have resulted in an equal but opposite effect on shareholders' equity and profit and loss by amounts shown above, on the basis that all other variables remain constant.

#### Exposure to 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 consolidated statement of comprehensive income, 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 Managers believe to be relatively attractive purchase multiples and may therefore be less susceptible to negative fluctuations in fair value calculations. In addition, the Managers consult 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 Managers seek 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 Managers monitor 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 1.84% (2010: 2.32%) of the Group's portfolio value as at 30 June 2011. 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

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

#### Exposure to other price risk (continued)

significant changes in the Net Asset Values and results of operations that the Company reports from quarter to quarter. The Managers believe these assets will continue to make up a minority position in the portfolio.

A 5% increase in the value of the Group's investments portfolio as at 30 June 2011 would have increased the Group's equity by \$38,041.150. An equal change in the opposite direction would have decreased equity by an equal but opposite amount.

#### Credit risk

Credit risk is the risk that an issuer or counterparty 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 reporting 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:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Investments in debt	24,942	6,503
Derivative financial instruments	311	16,845
Cash and cash equivalents	38,843	110,341
Receivables	4,617	14,897
<b>Total</b>	<b>68,713</b>	<b>148,586</b>

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 Managers monitor the financial position of both banks on an ongoing basis by reviewing earnings releases. In the event that the credit quality of either bank deteriorates significantly, the Managers will move the cash holdings to another bank. Substantially all of the cash 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. No financial assets were part due or impaired at 30 June 2011 or 30 June 2010.

The Group's exposure to credit risk is managed on an ongoing basis by the Managers. 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 Managers, and by the Board of Directors on a quarterly basis. The Managers frequently consult with their 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 Managers believe there may be upcoming liquidity requirements, they 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.

The Group has entered into a US\$ 150,000,000 revolving loan facility agreement with Lloyds TSB Bank plc which will provide the Group with both short-term and long-term liquidity. Per the credit agreement, the Group and the



## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

#### Liquidity risk (continued)

Lender monitors the loan covenants on a quarterly basis. As at 30 June 2011, the Group was in compliance with all such covenants. The loan will mature in May 2013. The Group has entered into a Revolving Loan Facility with the Bank of Scotland. Per the credit agreement, the Group and the lender monitor the loan covenants on a quarterly basis. As at 30 June 2011, the Group was in compliance with all covenants.

The Group also maintains cash and cash equivalents in excess of what the Managers believe will be required in the coming quarters. The Group currently holds cash and cash equivalents of US\$38.8 million. The Managers pursue an investment strategy with respect to all un-invested 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 11 represent commitments to commit capital to underlying investments 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 reporting 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.

#### 2011

<i>Financial liabilities</i>	Carrying amounts \$'000	Contracted cash flows \$'000	Less than 1 month \$'000	1-3 Months \$'000	3 months to 1 year \$'000	More than 1 year \$'000
Net unfunded commitments	-	113,946	113,946	-	-	-
Other payables	17,266	17,266	17,266	-	-	-
Derivatives	1,939	1,939	1,939	-	-	-
Loans	153,737	161,905	25,444	-	10,722	125,739
ZDP shares	130,628	170,321	-	-	-	170,321
	303,570	465,377	158,595	-	10,722	296,060

#### 2010

<i>Financial liabilities</i>	Carrying amounts \$'000	Contracted cash flows \$'000	Less than 1 month \$'000	1-3 Months \$'000	3 months to 1 year \$'000	More than 1 year \$'000
Net unfunded commitments	-	128,020	128,020	-	-	-
Other payables	12,665	12,665	12,665	-	-	-
Net settled derivatives	1,669	1,669	1,011	430	-	228
Loans	160,079	177,719	4,627	1,904	5,256	165,932
ZDP shares	113,362	159,707	-	-	-	159,707
	287,775	479,780	146,323	2,334	5,256	325,867

#### Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's operations either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors

## Notes to the Consolidated Financial Statements (continued)

### 2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

#### Operational Risks (continued)

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- contingency plans
- ethical and business standards
- risk mitigation, including insurance where this is effective.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers and a review of the service providers' SAS 70 reports on internal controls, where available.

#### 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. The Managers are reliant on pricing provided by the underlying manager or general partners and have procedures in place to monitor and ensure that this pricing, in most cases represents fair value. If other factors lead the Managers to conclude that fair value provided by the underlying managers or general partners does not represent actual fair value, the Managers will adjust the value of the investment from the underlying managers and general partner's estimate.

##### (b) Reliance on Managers

Quality and execution of management is key to a successful business development. The Group will be relying on the Managers and their ability to evaluate investment opportunities and to further develop the Company's investments. The Managers exercise a central role in the investment decision process. Accordingly the returns of the Group will primarily depend on the performance and abilities of the Managers.

##### (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.

The Managers believe there is no concentration of risk.

### 3. INTEREST AND DISTRIBUTION INCOME

The following table details the interest and other distribution income earned by the Group during the year:

	2011 \$'000	2010 \$'000
Interest income from financial assets that are not at fair value through profit or loss:		
Cash and cash equivalents	155	201
Distributions from financial assets at fair value through profit or loss:		
Private equity investments	20,272	6,916
	20,427	7,117

## Notes to the Consolidated Financial Statements (continued)

### 4. INTEREST EXPENSE

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

	2011 \$'000	2010 \$'000
Interest expense from financial instruments that are not at fair value through profit or loss:		
- Financial liabilities at amortised cost	10,904	11,230

Loss on settlement of the Fortress Credit Corp loan facility included within interest expense was \$410,344.

### 5. OTHER EXPENSES

The following table details the other expenses incurred by the Group during the year:

	2011 \$'000	2010 \$'000
Legal and professional fees	3,421	1,459
Travel expenses	108	447
Bank charges	1,226	299
Sundry expenses	471	659
	5,226	2,864

### 6. UNREALISED FOREIGN CURRENCY (LOSS)/ GAIN

The following table details the unrealised foreign currency losses during the year.

	2011 \$'000	2010 \$'000
Cash and cash equivalents	2,198	(2,708)
ZDP Loan	(8,408)	11,079
BSPeL/Migdal Mezzanine Limited leverage	429	(257)
BSPeL Australia Limited	206	284
Hunter Acquisition Limited	(209)	415
	(5,784)	8,813

### 7. REALISED FOREIGN CURRENCY (LOSS)/ GAIN

The following table details the realised foreign currency losses during the year.

	2011 \$'000	2010 \$'000
FX forward contracts	(10,662)	(101)
	(10,662)	(101)

### 8. RECEIVABLES

The following table details the receivables at the reporting date.

	2011 \$'000	2010 \$'000
GBP forward contract settlement in transit	2,524	-
Accrued distributions	2,048	14,843
Other receivables	45	54
	4,617	14,897

## Notes to the Consolidated Financial Statements (continued)

### 9. PAYABLES AND ACCRUALS

The following table details the payables and accruals during the year.

	2011 \$'000	2010 \$'000
Administration fee (note 17)	152	191
Audit fee	120	115
Management fee (note 17)	2,011	2,001
Directors fees	29	-
Accrued calls	7,921	7,202
Interest Expense	1,100	231
Performance fees (note 17)	5,327	2,595
Lloyds Arrangement fee	600	-
Other fees	6	330
	17,266	12,665

### 10. NET GAINS FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2011 \$'000	2010 \$'000
<b>Designated at fair value through profit or loss</b>		
Investment portfolio	61,813	9,116
<b>Held for trading</b>		
Derivative financial instruments	(16,804)	9,280
	45,009	18,396

### 11. INVESTMENTS

All investments are designated at fair value through profit or loss at initial recognition, therefore all gains and losses arise on investments designated at fair value through profit or loss. Given the nature of the Group's investments the fair value gains recognised in these consolidated financial statements are not considered to be readily convertible to cash in full at the reporting date and therefore the movement in these fair values are treated as unrealised.

#### Commitments

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 of 30 June 2011, the Group held interests in 108 fund interests, 12 co-investments, and 6 fund-of-funds including private equity funds, direct co-investments and publicly traded equity securities and had unfunded commitments to private equity funds of \$113,945,898 (2010: \$128,019,595) that may be called by the underlying limited partnerships. In addition, the Group may make capital commitments to private equity funds in the future and may make purchases of existing private equity funds in the secondary market, many of which will be subject to additional funding requirements.

The Group may employ an over-commitment strategy when making investments in private equity funds in order to maximize the amount of its capital that is invested at any given time. When an over-commitment strategy is employed, the aggregate amount of capital committed by the Group to private equity funds at a given time may exceed the aggregate amount of cash that the Group has available for immediate investment.

Because the managers of private equity funds will typically be permitted to make calls for capital contributions following the expiration of a relatively short notice period, employing an over-commitment approach requires the Group to time investments and manage available cash in a manner that allows the funding of its capital commitments when capital calls are made. The Managers are primarily responsible for managing the Groups' cash

## Notes to the Consolidated Financial Statements (continued)

### 11. INVESTMENTS (continued) Commitments (continued)

and the timing of its investments. The Managers take into account expected cash flows to and from its investments and amounts available from the issuance of notes under the Program when planning investment and cash management activities with the objective of seeking to ensure that the Group is able to honour its commitments to funds when they become due.

The Group believes it currently has sufficient liquidity to meet an over-commitment strategy.

The Group has established a number of investment holding vehicles that are held purely for the purposes of holding the underlying investment in private equity funds. These special purpose entities are presented in detail below:

Name	Country of Incorporation	% Holding	Principal activity
BSPEL Mezzanine Funding Limited	Guernsey	100%	Holding company
BSPEL/Migdal Mezzanine Limited	Guernsey	80%	Holding company
BSPEL Australia Limited	Guernsey	100%	Holding company
Hunter Acquisition Limited	Guernsey	68%	Holding company
Bear Stearns Global Turnaround Fund L.P.	Delaware	100%	Limited partnership
BSPEL (Lux) S.a.r.l.	Luxembourg	100%	Holding company
JPEL TF Limited	Guernsey	100%	Holding company
Iberian Acquisition Holdings LLC	Delaware	100%	Holding company
JPEL Convey Limited	Guernsey	100%	Holding company
Back Bay (Guernsey) Limited	Guernsey	78.8%	Holding company
JPEL Holdings Limited	Guernsey	100%	Holding company

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 26 private equity partnerships and investment funds.

JPEL TF Limited is a limited partner in Terra Firma Deutsche Annington, L.P., a Guernsey limited partnership. Iberian Acquisition Holdings LLC is a limited partner in Alia Capital Fund ICV, a Dutch limited partnership.

JPEL Convey Limited owns 35% of China Media Enterprises Limited, a limited liability BVI company that wholly owns four subsidiaries in Hong Kong and China.

## Notes to the Consolidated Financial Statements (continued)

### 11. INVESTMENTS (continued)

The following table is an analysis of the investment portfolio disclosing fair value balances at fair value movements of the investments

	2011 \$'000	2010 \$'000
Fair value at beginning of the year	632,193	608,676
Purchase of investments and funding of capital calls	109,825	91,612
Distributions from limited partnership interests and proceeds from disposal of investments	(65,114)	(84,099)
Realised gains on distributions from limited partnership interests and disposal of listed equity investments	9,869	4,512
Net fair value movement in the year (including foreign exchange gains/losses)	74,050	11,491
<b>Fair value at the end of the year</b>	<b>760,823</b>	<b>632,193</b>
<b>Reconciliation of accumulated unrealised (losses) / gains movements</b>		
Accumulated unrealised losses at beginning of the year	(39,180)	(50,671)
Net unrealised gains in the year (including foreign exchange gains/losses)	73,335	11,491
<b>Accumulated unrealised gains/(losses) at the end of the year</b>	<b>34,155</b>	<b>(39,180)</b>

Details of underlying portfolio funds are presented in the supplementary schedule of investments at the end of these consolidated financial statements.

The following table summarizes the valuation of the Group's investments by the 3 level hierarchies as of 30 June 2011:

	Total \$'000	Level I \$'000	Level II \$'000	Level III \$'000
Investments at fair value through profit or loss:				
Portfolio funds	760,823	13,945	-	746,878
Derivative instruments	311	-	311	-
Total financial assets at fair value	761,134	13,945	311	746,878
Financial liabilities at fair value through profit or loss:				
Derivative instruments	(1,939)	-	(1,939)	-
	759,195	13,945	(1,628)	746,878

The Portfolio Funds represent interest in:

- a company that is listed and traded in an active market; and
- private equity funds that do not trade in an active market and represent illiquid long-term investments that generally require future capital contributions.

Generally redemptions from the Portfolio Funds are not permitted unless agreed by the general partner of the Portfolio Funds and liquidity is available to the extent of distributable realized events.

Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of each Portfolio Fund, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the Group were to sell a Portfolio Fund in the secondary market, the sale could occur at an amount different than the reported fair value, and the difference could be material. The Group does not have any intention to sell the Portfolio Funds as at 30 June 2011. The Group

## Notes to the Consolidated Financial Statements (continued)

### 11. INVESTMENTS (continued)

expects to receive distributions from the Portfolio Funds as the underlying investments of the Portfolio Fund are sold. The timing of such liquidations is uncertain.

Options and open forward exchange contracts are included within Level II as their prices are not publicly available but are derived from underlying assets or elements that are publicly available. There have been no significant transfers between Levels I and II during the year.

The changes in the fair value of Portfolio Funds which the Group has classified as Level III are as follows:

	2011 \$'000	2010 \$'000
Fair value at beginning of the year	624,760	586,045
Purchase of limited partnership interests and funding of capital calls	109,825	84,677
Distributions from limited partnership interests	(65,114)	(80,738)
Realised gains/(losses) on distributions from limited partnership interests	9,869	7,332
Net fair value movement in the year (including foreign exchange gains/losses)	67,538	27,444
<b>Fair value at the end of the year</b>	<b>746,878</b>	<b>624,760</b>

A reconciliation of the Level III portfolio gains or losses included in profit or losses for the year ended 30 June 2011 are as follows:

	2011 \$'000	2010 \$'000
<b>Reconciliation of accumulated unrealised gains/(losses) movements</b>		
Accumulated unrealised losses at beginning of the year	(33,358)	(60,802)
Net unrealised gains in the year (including foreign exchange gains/losses)	67,538	27,444
<b>Accumulated unrealised gains/(losses) at the end of the year</b>	<b>34,180</b>	<b>(33,358)</b>

Total realised and unrealised gains and losses recorded for Level III Portfolio Funds, if any, are reported in "Net gains on investments" in the consolidated statement of comprehensive income.

When valuing the Portfolio Funds, the Managers of the Funds apply widely recognised valuation methods such as time of last financing, multiple analysis, discounted cash flow method and third party valuation to estimate a fair value as at the balance sheet date. As the investments, including the valuation of such investments, are under the control of the managers of these Funds, it is not practical to provide sensitivity analysis around the main inputs used within the various valuation models.

### 12. 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.

## Notes to the Consolidated Financial Statements (continued)

### 12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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:

- primarily hedging to protect an asset or liability of the Group against a fluctuation in 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.

The following forward foreign exchange contracts were unsettled at the reporting date:

#### 2011

Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value \$,000
USD	36,750,000	AUD	35,000,000	13 July 2011	(772)
USD	42,367,500	EUR	30,000,000	26 July 2011	(1,167)
					<u>(1,939)</u>

#### 2010

Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value \$,000
USD	58,032,000	GBP	40,000,000	18 May 2011	1,780
AUD	24,000,000	USD	20,107,200	30 August 2010	(24)
EUR	30,000,000	USD	35,721,000	9 July 2010	(1,011)
AUD	24,000,000	USD	19,730,400	26 August 2010	(406)
USD	37,612,500	GBP	25,000,000	30 June 2011	(228)
					<u>111</u>

#### Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer on specified underlying instrument at a specified price on or before a specified date. The Group has entered into an over-the-counter put option contract to hedge the Group's currency exchange exposure.

Over the counter option contracts are not guaranteed by any regulated stock exchange. The Group, as a buyer of over-the-counter options, is subject to credit risk since the counterparty is obliged to make payments under the terms of the contract if the Group exercises the option. The risk in buying an option is that the Group pays a premium whether or not the option is exercised. The Group also has the additional risk of not being able to enter into a closing



## Notes to the Consolidated Financial Statements (continued)

### 12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

#### Options (continued)

transaction if a liquid secondary market does not exist. The Group's risk of loss is not represented by the notional contract amounts as the contracts are net settled. Contract or notional amount reflect the involvement of the Group in the financial instrument, risks arise from possible adverse movements in foreign currency exchange rates.

The Group has the following purchased option at the reporting date:

#### 2011

Description	Contract Amount	Strike Price	Expiration date	Fair value \$'000
European Euro Put Option	€32,500,000	1.4476	11 July 2011	\$311

#### 2010

Description	Contract Amount	Strike Price	Expiration date	Fair value \$'000
European Euro Put Option	€65,000,000	1.4596	11 July 2011	\$15,065

Included in the cash and cash equivalent balance is an amount of \$2,410,000 provided as cash collateral to Goldman Sachs International as a security margin in respect of the forward currency contracts.

### 13. BORROWING FACILITIES

	2011 \$'000	2010 \$'000
Bank of Scotland	43,397	32,004
Fortress Credit Corp	-	98,852
Lloyds TSB Bank plc	74,174	-
National Australia Bank	32,166	25,223
Media Champion Investments Limited	4,000	4,000
	153,737	160,079
<b>Maturity profile</b>		
Due within one year	32,166	-
Due after more than 1 year	121,571	160,079

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 2014. 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 the Group's share of net asset values in BoS Mezzanine Partners Fund, LP at the year end was EUR 85,099,319 (2010: EUR 75,888,335).

The loan facility with Fortress Credit Corp was fully repaid during the year.

The Group has entered into a multi-currency loan facility agreement with Lloyds TSB Bank plc. The facility is for US\$150,000,000 and bears interest of US\$ LIBOR/EURIBOR + 325 bps on drawn amounts with a leverage of greater than 10% loan to value. At leverage rates of below 10% the loan bears interest of US\$ LIBOR/EURIBOR +275. A flat 1% rate is paid on undrawn amounts.

## Notes to the Consolidated Financial Statements (continued)

### 13. BORROWING FACILITIES (continued)

The facility had an original term of approximately two years and expires on 31 May 2013. The facility is drawn down to \$75,000,000 at 30 June 2011.

The loan with Lloyds TSB Bank plc is secured over the entire JPEL held share capital of the following subsidiaries:

	Net asset of subsidiary \$'000
JPEL Convey Limited	44,976
BSPEL Australia Limited	96,923
BSPEL Mezzanine Funding Limited	70,610
Bear Stearns Global Turnaround Fund, LP	36,968
JPEL TF Limited	47,200
JPEL Holdings Limited	6,042
Stoneleigh Back Bay Associates LLC	7,457

The Group's subsidiary, MPCCT ("the Trust"), has entered into a cash advance facility with National Australia Bank, with a limit of AU\$35,000,000 (2010: AU\$35,000,000) to provide funding for the Trust's over commitment strategy. Interest is payable using the Bank Bill Swap Bid Rate ("BBSY") plus a margin on the day of draw down. At the year end the facility was drawn to AU\$30,000,000 – AU\$10,000,000 due 30 April 2012 and the balance of AU\$20,000,000 due on 31 July 2012.

The Group's subsidiary, JPEL Convey Limited, has written a promissory note to Media Champion Investments Limited in the amount of \$4,000,000 in lieu of the acquisition of an interest in China Media Enterprises Limited. The promissory note bears an interest of 6% p.a. on principal outstanding and the interest is repayable on a semi-annual basis. Under the terms of the agreement, the promissory note is unsecured and has no fixed repayment period; however the Group does not expect to repay the facility within the next twelve months.

### 14. ZERO DIVIDEND PREFERENCE SHARES

The Company has issued two classes of Zero Dividend Preference Shares ("ZDP Shares") as at the year end: 2013 ZDP Shares and 2015 ZDP Shares. The holders of the 2013 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.

The holders of the 2015 ZDP shares are entitled to a redemption amount of 48.75 pence per ZDP share as increased daily at such a daily compound rate as would give a final entitlement of 87.30 pence on 31 December 2015, the effective interest rate is 8.25% pa based on the placing price of 50 pence per ZDP share. ZDP Shares rank prior to the Equity Shares in respect of the repayment of their entitlement of up to 87.3 pence per ZDP Share and pari passu to the 2013 ZDP Shares. 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.

## Notes to the Consolidated Financial Statements (continued)

### 14. ZERO DIVIDEND PREFERENCE SHARES (continued)

The movement of ZDP shares in the year was as follows;

#### 2013 ZDP Shares

	Date	Number of shares
Balance as at 30 June 2010		63,367,316
Tender Offer	22 February 2011	(55,011)
Balance as at 30 June 2011		63,312,305
Issue date	28 June 2005	
Valuation date	30 June 2011	
Days from issue		
Daily compound rate	0.0193299%	
Initial price	41.50 pence	
Price at valuation	63.41 pence	

#### 2015 ZDP Shares

	Date	Number of shares
Balance as at 30 June 2010		69,421,547
Tender Offer	22 February 2011	(829,241)
Balance as at 30 June 2011		68,592,306
Issue date	19 December 2008	
Valuation date	30 June 2011	
Days from issue		
Daily compound rate	0.0226913%	
Initial price	48.75 pence	
Price at valuation	60.11 pence	

The interest charge accrued for the year on the ZDP shares was \$9,683,000 (2010: \$5,232,000).

At 30 June 2011 the fair value of the 2013 ZDP shares was \$68,227,739 and the fair value of the 2015 ZDP Shares was \$75,569,336.

### 15. ISSUED SHARE CAPITAL AND RESERVES

#### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Share Capital, Zero Dividend Preference Shares, Capital Reserve and Accumulated Loss Reserve. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives, both of which are detailed in the Overview & Strategy section on page 5 and Investment Policy on page 26. 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. The Board of Directors also monitors the level of discount between the market price of its Equity Shares and the Company's net asset value per share through open market purchases of shares held as discussed in more details below.

There were no changes in the Company's approach to capital management during the year.

#### 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 or 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.

## Notes to the Consolidated Financial Statements (continued)

### 15. ISSUED SHARE CAPITAL AND RESERVES (continued)

#### Issued share capital

The movement of the US\$ Equity Shares in the period was as follows;

	Date	Number of shares	Price
Balance as at 30 June 2010		367,871,129	
Warrant conversion	6 July 2010	12,224	\$1.00
Warrant conversion	6 October 2010	14,744	\$1.35
Tender offer	22 February 2011	(11,036,914)	\$1.37
Warrant conversion	21 April 2011	16,667	\$1.30
Balance as at 30 June 2011		356,877,850	

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.

#### Buy Back of Ordinary Shares and Authority to Buy Back Shares

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 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. 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 (within the meaning of section 5 of the said ordinance) of equity shares and zero dividend preference shares of up to 14.99% per cent of the issued shares. At the Extraordinary General Meeting (EGM) held on 16 July 2009, the Directors authority to market such market purchases has been renewed for an additional 5 years. The Directors at their sole discretion may accept redemption requests for up to 14.99% of Equity shares during each financial year.

The balance of shares held in treasury at the year end was 11,036,914 (2010: Nil) US\$ Equity Shares 2,106,519 (2010: 2,051,508) 2013 ZDP Shares and 829,241 (2010: Nil) 2015 ZDP Shares.

#### Reserve Accounts

The capital reserve arises from the net gains from the revaluation of investments and interest from the Zero Dividend Preference shares.

The accumulated losses arise from the operations of the Group.

The currency translation reserve arises from the translation of subsidiaries from their functional currency to the presentation currency (US Dollar).

The \$16,992,000 gain in the currency translation reserve during the year was primarily due to the foreign exchange gain on the Australian Dollar which strengthened considerably during this time.

Non-controlling 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 warrant reserve reflects the fair value on issuance of bonus warrants as a component of reserves.

## Notes to the Consolidated Financial Statements (continued)

### 15. ISSUED SHARE CAPITAL AND RESERVES (continued)

#### Reserve Accounts (continued)

A reconciliation of the accumulated losses and capital reserves account can be seen below:

	Notes	2011 \$'000	2010 \$'000
<b>Accumulated Losses</b>			
<b>For the year ended 30 June 2011</b>			
<b>Balance at 1 July</b>		(34,739)	(17,980)
Interest and dividend income		20,427	7,117
Expenses		(16,871)	(14,663)
Interest payable		(10,904)	(11,230)
Net foreign currency gains/losses		(16,446)	8,712
Minority interest		398	564
		(23,396)	(9,500)
Issue of bonus warrants		-	(7,259)
<b>Balance at 30 June</b>		(58,135)	(34,739)
<b>Capital Reserve</b>			
<b>For the year ended 30 June 2011</b>			
<b>Balance at 1 July</b>		10,222	(8,607)
ZDP interest		(9,683)	(5,232)
Gains on investments		44,295	18,396
Minority interest		(3,279)	6,065
		31,333	19,229
Minority interest ceded		-	(400)
<b>Balance at 30 June</b>		41,555	10,222

### 16. SHAREHOLDER WARRANTS

On 17 August 2009, the Company issued 58,075,764 shareholder warrants by way of a Bonus Issue on the basis of one warrant for every six US\$ Equity Shares held as at that date. Each Warrant will confer the right (but not the obligation) to subscribe, for cash, for one US\$ Equity Share at the Subscription Price on any Business Day during the period from 1 October 2009 until 30 June 2014 (both dates inclusive), after which the Subscription Rights under the Warrants will lapse.

Each Warrant will be capable of conversion into one US\$ Equity Share upon exercise of the Subscription Right and on payment of the Subscription Price as set out below.

Notice of the exercise of the Subscription Right may be given by warrant holders at any time from 1 October 2009 until 30 June 2014 (both dates inclusive). The US\$ Equity Shares issued pursuant to the exercise of Subscription Rights will be issued not later than 14 days after, and with effect from, the last day of the relevant calendar quarter in which the Subscription Notice was received by the Company.

## Notes to the Consolidated Financial Statements (continued)

### 16. SHAREHOLDER WARRANTS (continued)

The Subscription Prices, which have been determined by reference to the Net Asset Value of the Company as at 30 June 2009 are:

<b>Date Subscription Notice received by the Company (inclusive)</b>	<b>Relevant Subscription Price</b>
1 October 2009 to 30 June 2010	US\$1.35 (being a 1 per cent. premium to the NAV per US\$ Equity Share as at 30 June 2009)
1 July 2010 to 30 June 2011	US\$1.37 (being a 2 per cent. premium to the NAV per US\$ Equity Share as at 30 June 2009)
1 July 2011 to 30 June 2012	US\$1.39 (being a 4 per cent. premium to the NAV per US\$ Equity Share as at 30 June 2009)
1 July 2012 to 30 June 2013	US\$1.45 (being an 8 per cent. premium to the NAV per US\$ Equity Share as at 30 June 2009)
1 July 2013 to 30 June 2014	US\$1.47 (being a 10 per cent. premium to the NAV per US\$ Equity Share as at 30 June 2009)

The following table details warrants exercised in the year:

<b>Exercise date</b>	<b>Conversion price</b>	<b>Number of warrants exercised</b>	<b>Number of shares issued</b>
6 July 2010	1.35	12,224	12,224
6 October 2010	1.37	14,744	14,744
21 April 2011	1.37	16,667	16,667

At the year end there were 57,897,512 warrants outstanding. Subsequent to the year end, a further 1,593 warrants were exercised at a price of \$1.37 leaving 57,895,919 warrants outstanding.

## Notes to the Consolidated Financial Statements (continued)

### 17. MATERIAL AGREEMENTS

The Managers, Bear Stearns Asset Management Inc. ("BSAM Inc.") and J.P. Morgan Asset Management UK ("JPMAM UK") are entitled to a base management fee, payable monthly in arrears of 1.0% per annum of the Company's total assets. The management fee due for the year was \$6,926,506 (2010: \$6,687,657) and the amount payable at the end of the year was \$ 1,707,876 (2010: \$1,721,389).

The Managers are 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 paid during the year was \$NIL (2010: \$NIL).

Following the acquisition of an interest in China Media Enterprises Limited, the Group has entered into a performance agreement with Whale Capital Inc. Whale Capital Inc. is the sponsor of the Company's investment in China Media Enterprises Limited and is not an affiliate of the Group. Pursuant to the performance agreement, in the event that the internal rate of return of the Group's investment in China Media Enterprises Limited equals or exceeds 30% per annum, Whale Capital Inc. shall be entitled to a performance fee if the total capital gains exceeds two times of the investment amount. The performance fee shall be an amount equal to 20% of the total capital gain that is in excess of two times of the investment amount. The performance fee accrued during the year was \$2,732,000 (2010: \$2,595,000) and the amount payable at the end of the year was \$5,327,000 (2010: \$ 2,595,000).

The Administrator, HSBC Management (Guernsey) Limited, 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% on the first \$100 million, 0.1% on the next \$50 million, 0.075% on the next \$50 million and 0.05% on the balance subject to a minimum of \$125,000. The fee is payable monthly in arrears. The administration fee due for the year was \$ 458,817 (2010: \$446,896) and the amount payable at the end of the year was \$151,930 (2010: \$191,175).

Macquarie Investment Management Limited ("MIML"), the sub-investment manager of MPCT is entitled to a management fee payable quarterly in arrears and is calculated as 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 held by MPCT. The management fee incurred for the year was \$1,142,118 (2010: \$1,067,838) and the amount payable at the end of the year was \$303,629 (2010: \$279,446)

MIML is also 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: 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 MIML and the Company in accordance with the following order of priority:

- a) first, the Company will be entitled to 100% of the Distributions until the cumulative Distributions equal the Contributed Capital;
- b) second, the Company will be entitled to 100% of the Distributions until the cumulative Distributions under this clause (b) are sufficient to provide the Company with an internal rate of return on the Company's Contributed Capital of 8% per annum, compounded annually (the Preferred Return);
- c) third, MIML will be entitled to 50% of the Distributions until the cumulative Distributions are sufficient to provide MIML 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"); and
- d) fourth, the Company will be entitled to 92.5% of the cumulative Distributions, and MIML 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).

The performance fee paid to MIML during the year was \$ Nil (2010 \$ Nil).

Back Bay (Guernsey) Limited has entered into a Joint Venture lending agreement with Stoneleigh Back Bay Associates, LLC the principal sum being \$8,000,000.

## Notes to the Consolidated Financial Statements (continued)

### 17. MATERIAL AGREEMENTS (continued)

The application of the Joint Venture proceeds are to be remitted as follows;

- a) first, one hundred percent (100%) to the Lender (Back Bay (Guernsey) Limited) until the Lender has received an amount equal to \$8,000,000 plus additional amounts so that the Lender has received cumulative payments in an amount equal to a 12% IRR on \$8,000,000 from the Closing Date through the applicable payment dates
- b) second, eighty percent (80%) to the Lender and twenty percent (20%) to the Borrower (Stoneleigh Back Bay Associates, LLC) until the Borrower has retained an amount equal to \$1,250,000
- c) third, one hundred percent (100%) to the Lender until it has received, together with distributions an amount equal to \$1,250,000 plus any and all unpaid fees, costs, and expenses due and owing to the Lender under the Note, Plus any and all accrued and unpaid interest owed at the Default Rate, plus any and all accrued and unpaid interest owed at the Interest Rate, plus all outstanding and unpaid principal, plus any accrued and unpaid Prepayment Premiums, in each case calculated from the Closing Date through the applicable payment date and
- d) fourth, forty-nine and nine-tenths percent (49.9%) to the Lender and fifty and one-tenth percent (50.01%) to the Borrower.

The performance fee paid to Stoneleigh Back Bay Associates, LLC during the year was \$ Nil (2010 \$ Nil).

### 18. BASIC AND DILUTED 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 \$ 7,937,000 (2010: gain \$9,729,000). The weighted average number of Equity Shares in issue during the year for the Group was 363,996,536 (2010: 358,594,101).

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	Note	2011
Issued shares at 30 June 2010	15	367,871
Effect of shares issued on:		
06 July 2010	15	12
06 October 2010	15	11
22 February 2011	15	(3,901)
21 April 2011	15	3
Weighted average number of ordinary shares at 30 June 2011		363,997

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	Note	2010
Issued shares at 30 June 2009	15	274,260
Effect of shares issued on:		
16 July 2009	15	35,409
17 July 2009	15	3,394
31 July 2009	15	11,759
07 August 2009	15	5,603
12 August 2009	15	11,292
12 August 2009	15	2,605
28 August 2009	15	1,073
28 August 2009	15	1,572
24 September 2009	15	98
24 September 2009	15	11,489
15 April 2010	15	40
Weighted average number of ordinary shares at 30 June 2010		358,594



## Notes to the Consolidated Financial Statements (continued)

### 18. BASIC AND DILUTED EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

The Net Asset Value per share is based on the Net Asset Value for the year of \$483,784,000 (2010: \$469,459,000). The total number of Equity Shares in issue during the year for the Group was 356,877,850 (2010: 367,871,129).

At year end the Warrants are out of the money and therefore do not have any dilutive effect on the Earnings Per Share.

### 19. RELATED PARTY TRANSACTIONS

JPMorgan Asset Management (UK) Limited, and Bear Stearns Asset Management Inc ("the Managers") are both related parties of the Group.

Mr. Getschow is a senior executive of Bear Stearns Asset Management Inc, one of the Managers to the Group and a subsidiary of JPMorgan Chase & Co.

Other than Mr. Spencer who owns 30,067 US\$ Equity Shares, no other Director holds directly or indirectly shares in the Group.

From 1st January 2007 to December 2010 Mr. Ash is entitled to receive Directors fees of £25,000 per annum. Mr. Loudon and Mr. Spencer are each entitled to receive Directors fees of £20,000 per annum.

From 1st January 2011 Mr. Ash is entitled to receive Directors fees of £40,000 per annum, Mr. Loudon and Mr. Spencer are each entitled to receive Directors fees of £30,000 per annum. Mr Getschow has waived his right to Directors Fees.

### 20. POST BALANCE SHEET EVENTS

On 12 September 2011 the Group acquired a portfolio of 38 private equity co-investments for £56.5m. The consideration for this acquisition was in the form of US\$ Equity Shares and newly issued 2017 Zero Dividend Preference shares (LSE: JPSZ).

The 2017 Zero Dividend preference Shares took the following form for consideration for the acquisition:

Initial capital entitlement	65.0p
Final capital entitlement	107.1p
2017 ZDP share redemption date	31 December 2017
Effective annualised gross redemption yield	8.25%
Number of 2017 ZDP shares	30,410,753
Dealing date	12 September 2011

Subsequent to 30 June 2011 there have been a series of share buybacks purchased into treasury. These purchases are in accordance with the Group's policy to minimise any discount between the market price of its shares and the Company's net asset value.

Purchase date	Purchase price	Number of shares purchased	Total value of buyback \$
23 August 2011	0.950	325,000	308,750
24 August 2011	0.952	180,000	171,400
31 August 2011	0.964	125,000	120,500
1 September 2011	0.970	160,000	155,175
2 September 2011	0.998	350,000	349,125
5 September 2011	0.994	350,000	347,813
6 September 2011	0.998	111,000	110,723
7 September 2011	0.998	100,000	99,750
8 September 2011	1	150,000	150,000
13 September 2011	0.937	176,000	164,948
18 October 2011	0.832	100,000	83,166
20 October 2011	0.842	50,000	42,084
		2,177,000	2,103,434

## Notes to the Consolidated Financial Statements (continued)

### 21. SUPPLEMENTARY NET ASSETS OF THE COMPANY

The following table details supplementary information about the net assets of the Company as at the reporting date:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Financial assets designated at fair value through profit or loss upon initial recognition:		
- Equity investments	659,575	552,335
- Financial assets held for trading-derivatives	311	15,176
Cash and cash equivalents	36,986	106,347
Receivables	3,198	17,084
<b>Total financial assets</b>	<b>700,070</b>	<b>690,942</b>
<b>Liabilities</b>		
Financial liabilities held for trading-derivatives	(1,939)	-
Financial liabilities measured at amortised cost	(214,347)	(221,483)
<b>Total financial liabilities</b>	<b>(216,286)</b>	<b>(221,483)</b>
<b>Net Assets</b>	<b>483,784</b>	<b>469,459</b>
<b>No. of shares in issue</b>	<b>356,878</b>	<b>367,871</b>
<b>NAV per equity share</b>	<b>\$1.36</b>	<b>\$1.28</b>

The following table reconciles unaudited 30 June 2011 NAV per US\$ Equity Share of \$1.34 as released on 16 August 2011 and audited NAV per US\$ Equity Share of \$1.36 referenced in the table above:

	<b>2011</b>	<b>Per Share</b>
	<b>\$'000</b>	<b>\$</b>
Unaudited NAV released on 16 August 2011	476,812	1.34
Change in fair market value	6,149	0.02
Other adjustments	823	-
<b>Audited NAV released on 31 October 2011</b>	<b>483,784</b>	<b>1.36</b>

## Notes to the Consolidated Financial Statements (continued)

### 22. SCHEDULE OF INVESTMENTS

	2011	2010
	\$'000	\$'000
10th Lane Finance Co. LLC.	7,037	5,425
ABN Amro Capital Australia Fund II	1,095	499
Aisling Capital Partners II, LP	1,380	1,561
Aksia Capital III L.P.	6,709	3,661
Alia Capital Fund I CV	2,668	3,130
Alto Capital II	5,276	3,799
Alto I/ Development Capital I S.C.A.	-	728
Ancestry.Com	-	3,898
Apollo International Real Estate Fund	660	575
Apollo Investment Fund V, LP	2,038	2,060
Apollo Real Estate Investment Fund IV, LP	1,054	1,071
Argan Capital Fund	10,498	6,996
Arlington Capital Partners II, LP	2,619	2,033
Arrow Path Fund II, L.P.	1,135	1,047
Australasian Media and Communications Fund 2 C	1,590	709
Avista Capital Partners (Offshore), L.P.	18,612	16,619
Bain Capital Fund VI, LP	23	71
Beacon India Private Equity Fund	10,507	8,042
Bear Stearns Global Turnaround Fund, L.P.	36,968	36,586
Bear Stearns Private Opportunity Ventures, LP	3,799	4,163
Black Diamond Capital Management	4,887	3,275
Blackstone Capital Partners V, L.P.	6,178	5,355
Blackstone Capital Partners IV, LP	4,399	3,654
Blackstone Real Estate Partners IV, LP	1,736	1,293
Blue River Capital I	9,437	-
BoS Mezzanine Partners, LP	123,411	93,005
Candover 2001 Fund	506	668
Candover 2005 Fund	2,940	1,612
Carlyle Asia Partners II, LP	4,163	3,731
Carlyle/Riverstone Global Energy and Power Fund III	5,999	5,518
Carlyle/Riverstone Renewable Energy Infrastructure Fund I	2,259	3,392
Catalyst Buyout Fund IA	5,618	4,221
Catalyst Buyout Fund IB	5,618	4,221
Ceram Polymerick CN	6	68
Charterhouse Capital Partners VIII	5,324	3,386
China Media Enterprises Limited	54,634	40,976

## Notes to the Consolidated Financial Statements (continued)

### 22. SCHEDULE OF INVESTMENTS (continued)

	2011	2010
	\$'000	\$'000
Clearwater Capital Partners Fund I, L.P.	3,990	4,965
Clearwater Capital Partners Opportunities Fund, L.P.	398	901
Colony Investors VI, LP	340	766
CPC Luxury Optical Investment LLC	1,852	3,234
CPC RD Investment LLC	3,483	3,560
Dolphin Communications Fund II, LP	155	332
Doughty Hanson & Co. Technology Fund	619	1,364
Education Management Corp	-	1,520
Esprit Capital I Fund	11,572	14,797
Esprit Capital III LP	248	5
Freescale Semiconductor, Inc.	1,087	990
GBS3 Bio Ventures	2,662	2,210
Gemini Israel III, LP	164	166
Global Buyout Fund, L.P.	6,320	8,472
Global Opportunistic Fund	9,524	14,957
Green Investors III, LP	169	168
Gridiron Capital Fund, L.P.	4,667	4,385
Guggenheim Aviation Offshore Investment Fund II, L.P.	9,732	9,674
Gulf Healthcare International LLC	5,990	-
HG Capital V, L.P.	2,226	2,057
Highstar Capital III Prism Fund, L.P.	4,480	4,417
Hupomone Capital Fund, L.P.	4,127	3,580
Hutton Collins Capital Partners II LP	4,207	3,582
Industry Ventures Acquisition Fund, L.P. (MPCT)	47	146
Industry Ventures Acquisition Fund, LP	18	19
Industry Ventures Fund IV, L.P. (MPCT)	3,343	3,344
Industry Ventures Fund IV, L.P.	3,158	3,029
Industry Ventures Fund V, L.P.	4,916	3,048
Industry Ventures Fund VI, L.P.	52	-
Leeds Equity Partners IV Co-Investment Fund A, L.P.	13,945	8,901
Leeds Equity Partners IV, LP	9,018	8,692
Leeds Equity Partners V, LP	4,981	2,136
Liberty Partners II, L.P.	21,566	29,842
Life Sciences Holdings SPV I Fund, LP	21,231	19,731
Macquarie Wholesale Co-investment Fund	10,935	16,525
Macquarie European Infrastructure Fund	9,561	5,357
Macquarie Global Infrastructure Fund A	-	5
Macquarie Global Infrastructure Fund B	-	10
Macquarie True Index Cash Fund	20,166	323

## Notes to the Consolidated Financial Statements (continued)

### 22. SCHEDULE OF INVESTMENTS (continued)

	2011	2010
	\$'000	\$'000
Main Street Resources I, L.P.	1,744	1,984
Main Street Resources II, L.P.	3,183	2,506
Macquarie Alternative Investment Trust I	7,060	7,254
Macquarie Alternative Investment Trust II	16,651	14,970
Macquarie Alternative Investment Trust III	9,408	9,681
Markstone Capital Partners, LP	3,247	3,119
Milestone Link Fund, L.P.	17,566	13,415
Milestone 2010	5,872	-
Montagu III LP	3,883	2,785
Morning Street Partners, L.P.	877	1,055
Olympus Capital Asia III(Offshore),L.P.	1,955	1,941
Omega Fund III, L.P.	7,572	8,062
Oxford Bioscience Partners IV, LP	682	897
PCG Special Situations Partnership	5,379	5,858
Primopiso Acquisition S.a.r.l	17,749	-
Private Equity Access Fund II Ltd	6,650	8,017
Providence Equity Partners IV, LP	2,221	2,975
Quadrangle Capital Partners, LP	1,034	1,401
Quadrant Private Equity No 1A	434	357
Quadrant Private Equity No 1B	434	357
Quadrant Private Equity No 1 LP	970	5,058
Realza Capital Fondo, FCR	1,330	760
Second Lien Debt Investment 1	3,314	4,252
Second Lien Debt Investment 2	4,731	2,251
Second Lien Debt Investment 3	2,402	-
Starfish Ventures Pre-Seed	255	230
Strategic Value Global Opportunities Feeder Fund I-A, LP	4,301	5,230
Strategic Value Global Opportunities Master Fund, LP	5,908	5,411
Stoneleigh Back Bay Associates LLC	7,458	-
SVE Star Ventures	640	636
Terra Firma Deutsche Annington L.P.	2,158	1,665
Terra Firma Deutsche Annington L.P.(JPPEL TF Limited)	47,200	36,427
Thomas H. Lee Equity Fund V, L.P.	2,251	2,705
Trumpet Feeder Ltd	3,904	2,838
Veritas III, LLC (Formerly HGX Private Equity Fund LP)	-	6,980
Warburg Pincus Private Equity VIII, LP	5,440	4,180
Wellington Partners Ventures II GMBH & CO. KG(B)	1,241	985
Wellington Partners Ventures III Life Science Fund L.P.	1,988	1,692
<b>Total market value of Investments held by the Group</b>	<b>760,823</b>	<b>632,193</b>

**DIRECTORS:** Trevor Charles Ash (Chairman)  
Gregory Getschow  
John Loudon  
Christopher Paul Spencer

**MANAGERS  
(as to the Private Equity Portfolio):** BEAR STEARNS ASSET MANAGEMENT INC.  
c/o J.P. Morgan Asset Management  
270 Park Avenue  
New York  
New York 10017  
United States of America

JPMORGAN ASSET MANAGEMENT (UK) LIMITED  
125 London Wall  
London  
EC2Y 5AJ

**ADMINISTRATOR AND  
COMPANY SECRETARY:** HSBC MANAGEMENT (GUERNSEY) LIMITED  
Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 3NF

AUGENTIUS FUND ADMINISTRATION LLP  
2 London Bridge  
London  
SE1 9RA

**AUDITOR:** KPMG Channel Islands Limited  
20 New Street  
St Peter Port  
Guernsey GY1 4AN

**SOLICITORS TO THE GROUP  
(as to English and US law):** HERBERT SMITH LLP  
Exchange House  
Primrose Street  
London EC2A 2HS  
United Kingdom

**LEGAL ADVISERS TO THE GROU  
(as to Guernsey Law):** CAREY OLSEN  
7 New Street  
St Peter Port  
Guernsey GY1 4BZ

**REGISTRAR:** CAPITA IRG (CI) LIMITED  
2<sup>nd</sup> Floor  
1 Le Truchot  
St Peter Port  
Guernsey GY1 4AE

**REGISTERED OFFICE:** Arnold House  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 3NF