

| J | P | E | L |  
J.P. Morgan Private Equity Limited

## Annual Report and Financial Statements

for the Year ending 30 June 2009



| J | P | E | L |  
| J.P. Morgan Private Equity Limited |



## Table of Contents

	<b>Page Number</b>
<b>Financial Highlights</b>	<b>2</b>
<b>Financial Summary</b>	<b>3</b>
<b>Historical Performance</b>	<b>4</b>
<b>Current Portfolio</b>	<b>6</b>
<b>Overview &amp; Investment Strategy</b>	<b>9</b>
<b>Chairman's Statement</b>	<b>10</b>
<b>Corporate Actions</b>	<b>14</b>
<b>Manager's Review</b>	<b>15</b>
<b>Market Overview</b>	<b>16</b>
<b>2009 Investment Activity</b>	<b>20</b>
<b>Portfolio Review</b>	<b>21</b>
<b>Currency Exposure</b>	<b>24</b>
<b>Top 20 Funds &amp; Companies Information</b>	<b>25</b>
<b>Top 10 Investments</b>	<b>26</b>
<b>Board of Directors</b>	<b>29</b>
<b>Directors' Report</b>	<b>30</b>
<b>Independent Auditor's Report</b>	<b>37</b>
<b>Financial statements:</b>	
<b>Consolidated Income Statement</b>	<b>39</b>
<b>Consolidated Balance Sheet</b>	<b>40</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>41</b>
<b>Consolidated Cash Flow Statement</b>	<b>43</b>
<b>Notes to the Financial Statements</b>	<b>44</b>

# Financial Highlights



## Financial Summary *(Company Information)*

### Overview

30 June 2009

#### Equity Shares

NAV per Share	\$1.34
Share Price	\$0.96
Shares in Issuance	274.3m

#### 2013 ZDP Shares

NAV per Share	55.06p
Share Price	58.75p
Shares in Issuance	63.4m

#### 2015 ZDP Shares<sup>1</sup>

NAV per Share	50.93p
Share Price	58.5p
Shares in Issuance	16.1m

#### Balance Sheet

Investments at Fair Market Value	\$519.2m
Bank Deposits	\$28.6m
Net Current Assets <sup>2</sup>	\$16.1m
Credit Facility <sup>3</sup>	(\$98.1m)
Other Liabilities <sup>4</sup>	(\$13.3m)
<b>Total Net Asset Value<sup>5</sup></b>	<b>\$437.2m</b>
<b>Foreign Exchange Rate (£ : \$)</b>	<b>\$1.6458</b>

### Performance as at 30 June 2009

Share Class	Ticker	Total NAV Price Appreciation / (Depreciation)					Inception <sup>6</sup>
		3 Months	6 Months	1 Year	2 Year	3 Year	
Equity Shares	JPEL	(6.9%)	(21.6%)	(27.6%)	(13.5%)	12.6%	31.4%
2013 ZDPs	JPEZ	1.8%	3.6%	7.3%	15.2%	23.6%	32.7%
2015 ZDPs	JPZZ	2.1%	4.2%				
<b>Index</b>							
LPX Composite		37.9%	11.8%	(48.8%)	(69.9%)	(62.6%)	(58.6%)
FTSE 100		7.4%	(4.2%)	(22.5%)	(35.7%)	(27.2%)	(17.7%)
MSCI World (USD)		17.9%	4.8%	(30.8%)	(39.8%)	(27.0%)	(16.0%)
S&P 500		13.3%	1.8%	(28.5%)	(38.8%)	(27.6%)	(23.0%)

Past performance is not an indication of future performance.

(1) On 16 December 2008, J.P. Morgan Private Equity Limited ("JPEL") placed 14,625,650 2015 ZDP Shares at a placing price of 50p per share with final capital entitlement of 87.3p per share. Admission became effective, settlement occurred, and dealings in the shares commenced on 19 December 2008.

(2) Includes accrued performance fees, accounts payable, accrued expenses, and accrued interest income.

(3) On 8 May 2008, JPEL entered into a \$100 million secured credit facility.

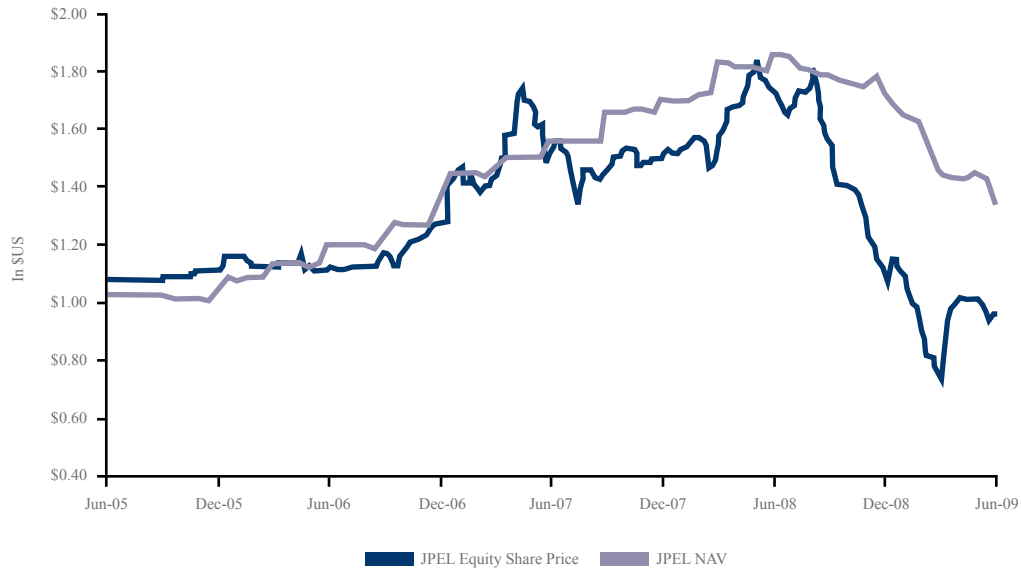
(4) Includes fee accruals and other payables.

(5) Information presented is non-consolidated; the consolidated information is presented on page 38.

(6) As of JPEL's inception, 30 June 2005.

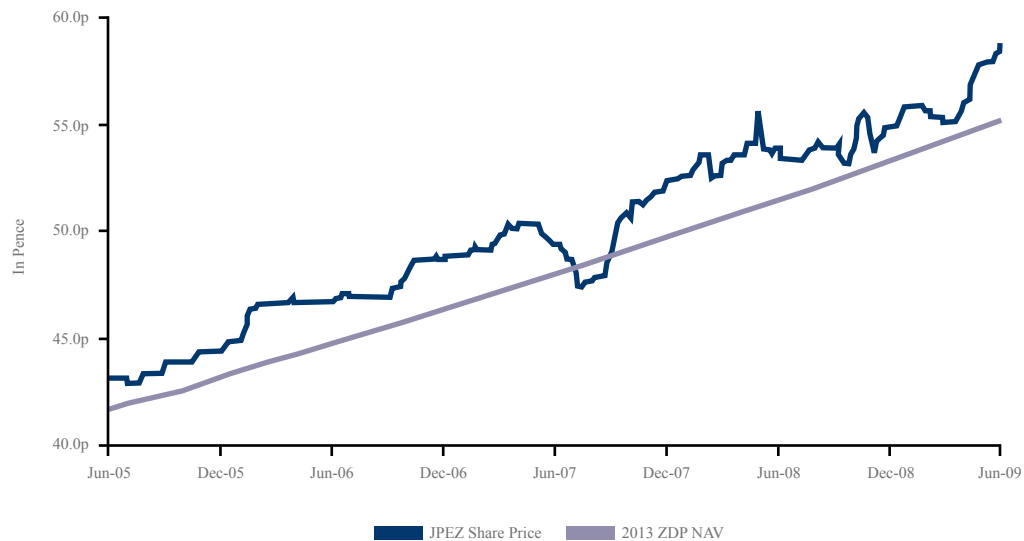
## Historical Performance

**JPEL Equity NAV and Share Price Development through 30 June 2009<sup>1,2</sup>**  
*Since Inception*



Past performance is not an indication of future performance.

**2013 JPEL ZDP NAV and Share Price Development through 30 June 2009<sup>1</sup>**  
*Since Inception*



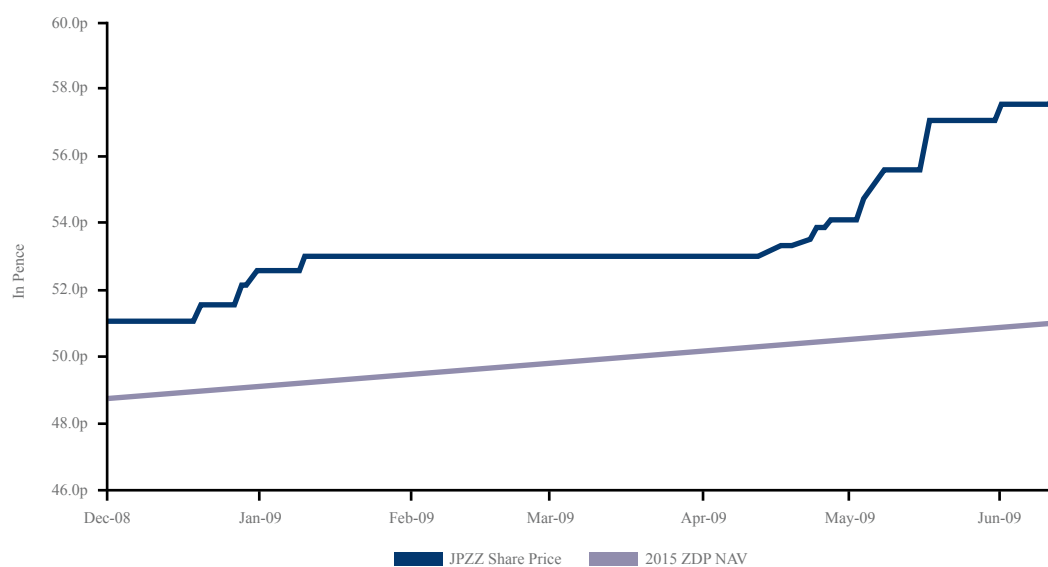
Past performance is not an indication of future performance.

(1) Source: Bloomberg, Manager. As at 30 June 2009.

(2) Chart includes unaudited 30 June 2007 NAV of \$1.55 per share versus an audited NAV per Share of \$1.60.

## Historical Performance *(Continued)*

### 2015 JPEL ZDP NAV and Share Price Development through 30 June 2009<sup>1</sup> *Since Inception*

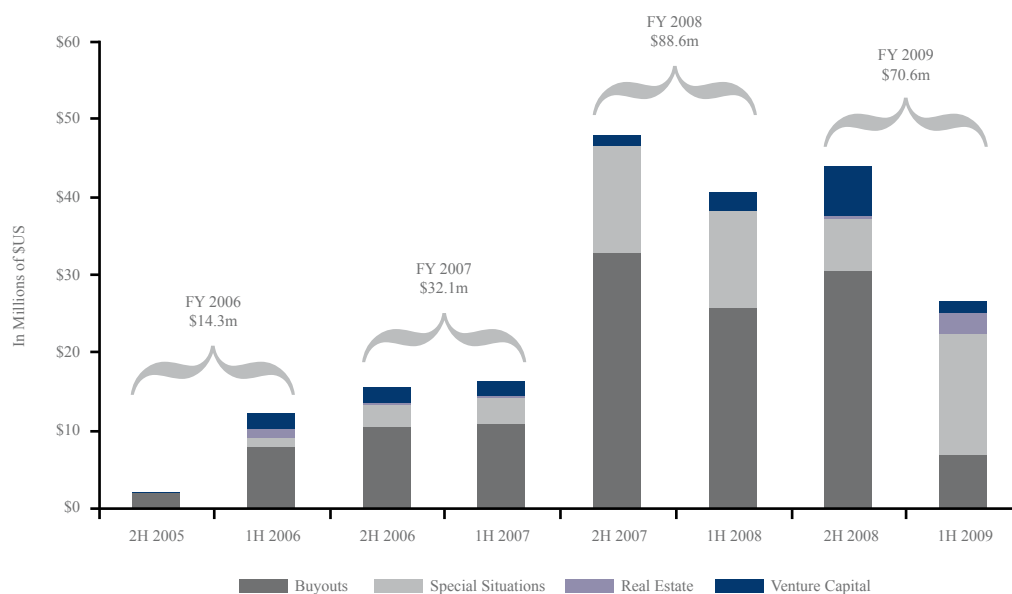


Past performance is not an indication of future performance.

(1) Source: Bloomberg, Manager.

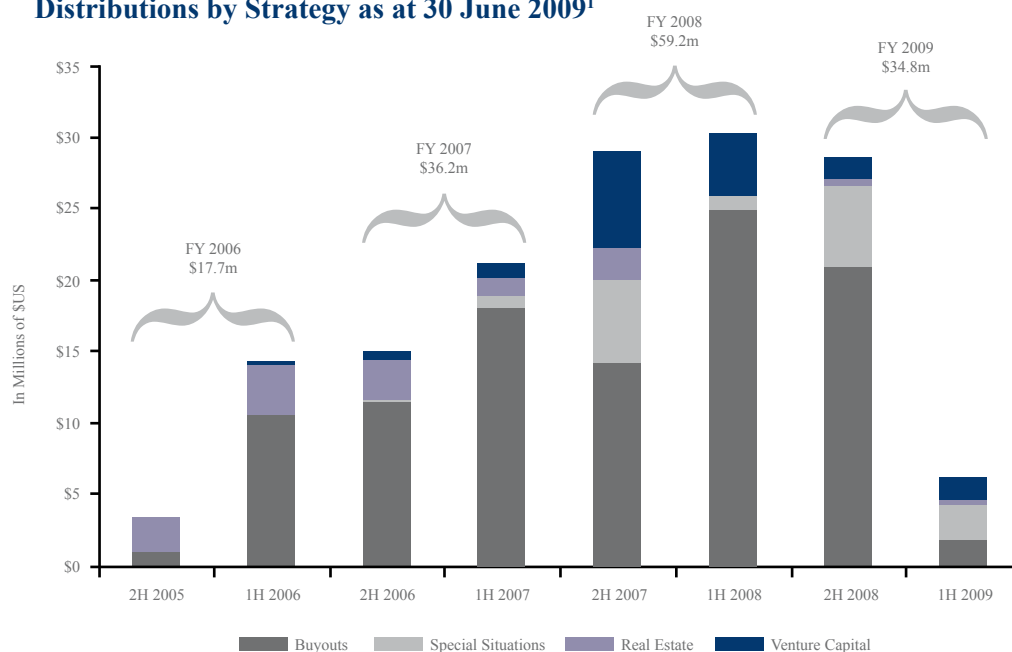
## Current Portfolio

**Capital Calls by Strategy as at 30 June 2009<sup>1</sup>**



Source: Manager.

**Distributions by Strategy as at 30 June 2009<sup>1</sup>**

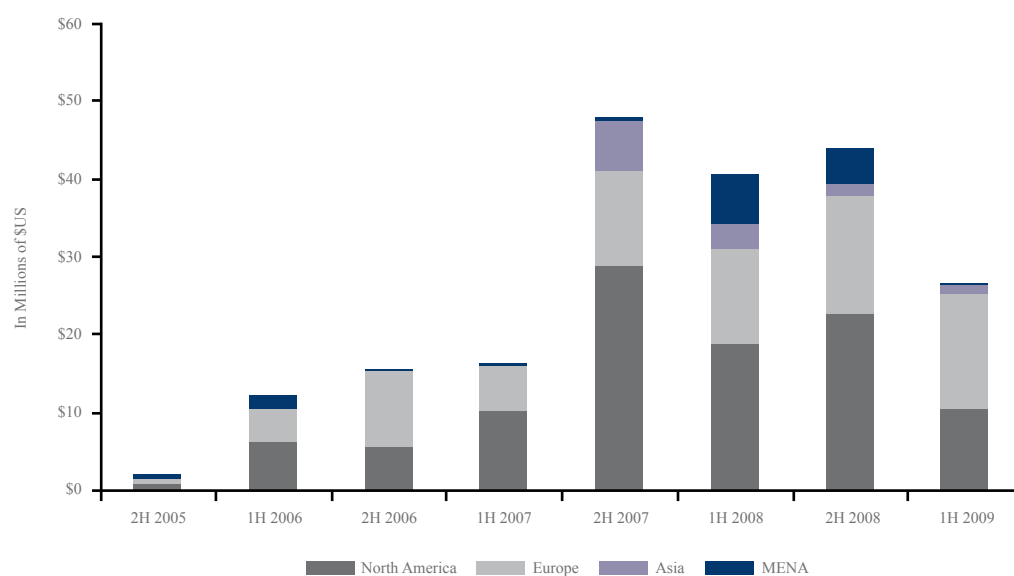


Source: Manager.

(1) Capital calls and distributions exclude initial investment purchase price and sale price.

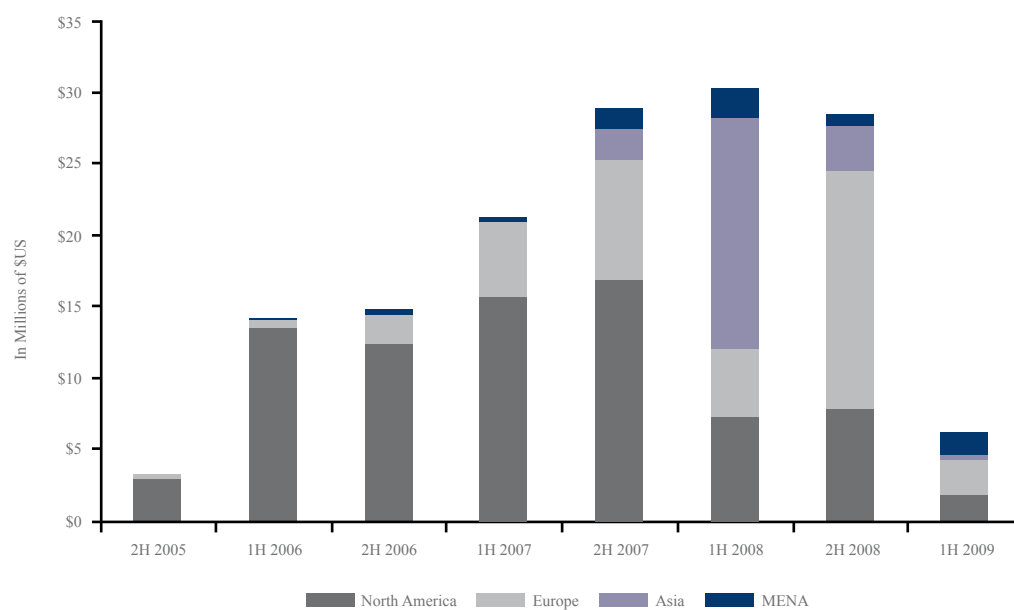
## Current Portfolio *(Continued)*

### Capital Calls by Geography as at 30 June 2009<sup>1</sup>



Source: Manager.

### Distributions by Geography as at 30 June 2009<sup>1</sup>

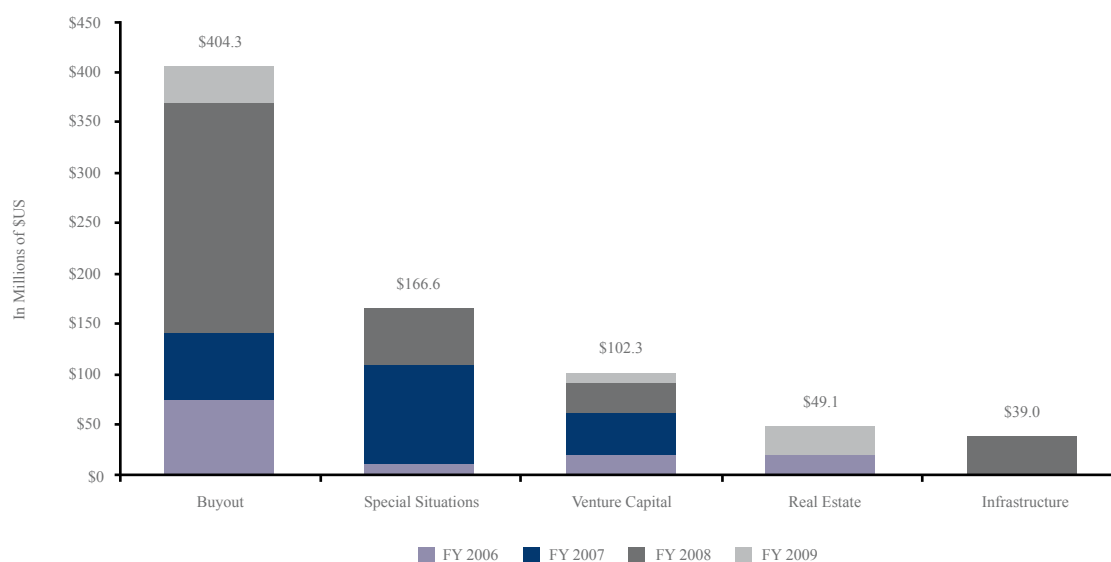


Source: Manager.

(1) Capital calls and distributions exclude initial investment purchase price and sale price.

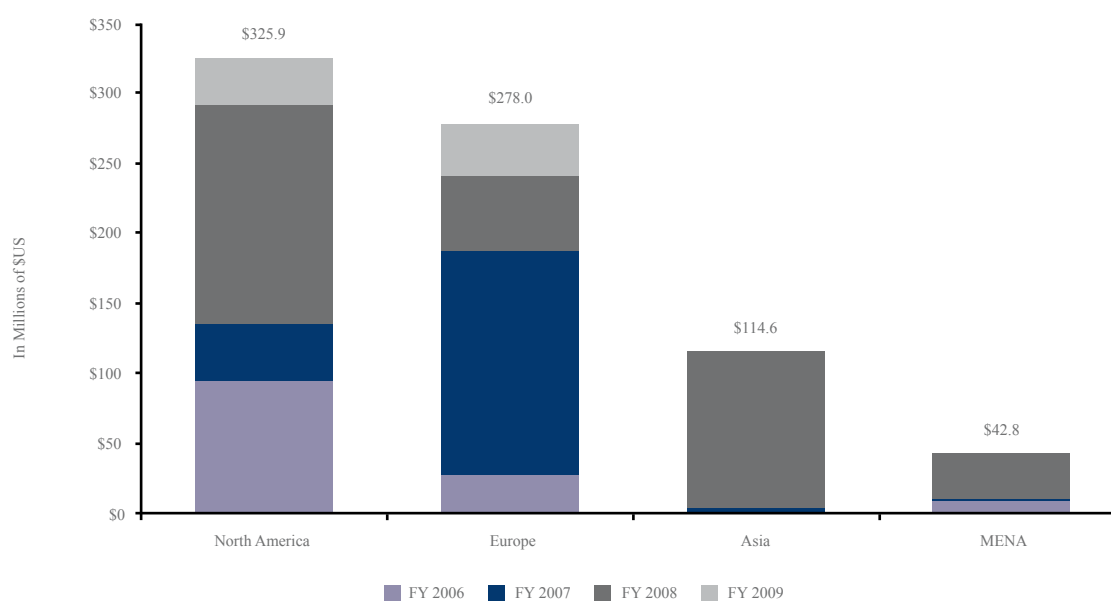
## Current Portfolio *(Continued)*

### Fund Commitments by Investment Strategy <sup>1</sup>



Source: Manager.

### Fund Commitments by Geography <sup>1</sup>



Source: Manager.

(1) Based on approximately \$761.3 million of total commitments as at 30 June 2009.

## Overview

J.P. Morgan Private Equity Limited (“JPEL” or the “Company”) is a Guernsey registered and incorporated London Stock Exchange traded closed ended investment company (LSE: JPEL, JPEZ, JPZZ) designed primarily to invest in the global private equity market. The fair value of the Company’s total private equity portfolio as at 30 June 2009 was \$519.2 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: Equity Shares, 2013 Zero Dividend Preference Shares (“2013 ZDP Shares”) and 2015 Zero Dividend Preference Shares (“2015 ZDP Shares”). At 30 June 2009, 2013 ZDP Shares made up 13.1% of total capital, 2015 ZDP Shares made up 3.1% of total capital and Equity Shares made up the remaining 83.8%.

Subsequent to 30 June 2009, 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 58,075,764 warrants in issuance.

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

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$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.

## Strategy

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

- acquire secondary market portfolios of direct fund investments, significantly invested partnership interests and partially drawn commitments, with a goal of accelerating Net Asset Value development;
- opportunistically invest in buyout, special situation, venture capital and other fund investments throughout the world based on attractive transaction values, advantageous market conditions and compelling risk-adjusted return potential;
- obtain exposure to individual companies by co-investing alongside private equity sponsors in companies that offer the potential for substantial equity appreciation;
- diversify its portfolio by manager, industry, geography, investment stage and vintage year; and
- actively manage the Company portfolio by repositioning its investment composition from time to time in efforts to capitalise on changes in private equity market conditions.

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

# Chairman's Statement



# Chairman's Statement

## Overview

In reviewing the last twelve months leading up to the Company's fourth anniversary, I look back on a year marked by unparalleled challenges and volatility in the global equity and credit markets. From July 2008 through June 2009, almost every industry and asset class experienced rapid devaluations as equity markets fell, credit markets froze and governments were forced to intervene and provide extraordinary assistance to the private sector. These events shook the global markets and reshaped the Company's competitive landscape.

In this year's statement, I would like to address how the Company has responded to the global financial crisis by strengthening its balance sheet and positioning itself to take advantage of the favourable private equity secondary market.

**"JPEL has positioned itself to take advantage of the favourable private equity secondary market."**

## Positioning JPEL's Balance Sheet

Although no one could have anticipated the full impact of the worldwide recession and credit crisis, over the past several quarters, JPEL's Manager has been actively working to strengthen the Company's balance sheet and position the portfolio for an economic downturn. The Manager has focused on building a portfolio of defensive interests that are designed to be well suited to withstand a market correction.

In this regard, the Company has taken the following actions over the past twelve months:

- **Limited new investment activity:** During fiscal year 2009, the Company participated in seven new investments, preferring to be very selective in this market environment.
- **Reduced unfunded obligations:** JPEL has reduced its unfunded commitments by approximately 24% through the sale of selected investments since 31 December 2008.
- **Raised \$130mm of new capital<sup>(1)</sup>:** The Company raised \$111 million of new US\$ Equity Shares to take advantage of the current opportunities in the secondary market and to bolster its balance sheet. The Company also raised \$12 million through the creation of a new class of Zero Dividend Preference Shares due in 2015 ("2015 ZDP Shares"). I believe that the overwhelming support for these fundraisings demonstrates a tremendous vote of confidence for opportunities available in the secondary private equity market and for JPEL's strategy in general.
- **Issued Bonus Warrants in Lieu of June 2009 Redemption Facility:** Although the redemption facility was operated for the six-month period ended in December 2008, the Board of Directors elected to temporarily suspend the facility for the six months ended in June 2009. In order to provide shareholders with the opportunity to participate in future potential upside in the Company, JPEL issued 58 million warrants to US\$ Equity shareholders on 20 August 2009.

Going forward, JPEL remains focused on maintaining a strong balance sheet. As such, the operation of the Company's tender facility will be subject to positive net cash flows from the Company's underlying private equity investments and the health of the global economy. In addition, the Company will continue to cautiously invest in the private equity secondary market.

(1) In September 2008, the Company raised US\$24 million in 2015 ZDP Shares and US\$ Equity Shares. In December 2008, the Company raised approximately US\$12 million through an offering of 2015 ZDP Shares. In June 2009 through September 2009, the Company raised US\$93.4 million of US\$ Equity Shares. See Corporate Actions section for further details.

## Chairman's Statement *(Continued)*

### Core Secondary Investment Strategy

Although fiscal year 2009 resulted in relatively few new investments, the Company has constructed a strong portfolio with defensive characteristics that the Manager believes will be well positioned for a market recovery. JPEL opportunistically made seven investments during fiscal year 2009, focusing on investments in counter-cyclical industries such as education, life sciences and pharmaceuticals.

JPEL's core strategy of buying private equity fund interests in the secondary market and dynamic approach to portfolio management has allowed the Manager to shift the Company's portfolio to take advantage of various investment and market opportunities through the purchase and sale of private equity investments. This strategy has allowed the Manager to construct a portfolio that it believes may retain value in a recessionary environment and will remain poised to target positive performance once markets stabilize:

- **Defensive industries:** JPEL's Manager has focused on opportunities in counter-cyclical or defensive industries. Approximately 10.5% of the Company's private equity net asset value is invested in education services, with an emphasis on post-secondary education. Pharmaceuticals, Biotechnology and Life Sciences account for 10.8% of the Company's private equity net asset value at 30 June 2009.
- **Highly diversified:** JPEL's private equity portfolio contains exposure to 163 funds in approximately 40 countries with over 1,500 underlying portfolio companies.
- **Majority of JPEL's portfolio was acquired "post-credit crunch":** Approximately 78% of current private equity NAV was purchased since May 2007 (46% since the beginning of 2008).
- **Small buyout focus:** Approximately 44% of JPEL's private equity portfolio is invested in small to medium-sized buyout funds, which tend to utilize lower leverage and purchase multiples.
- **Special situations investments:** Approximately 19% of JPEL's private equity portfolio is invested in special situation funds such as mezzanine, distressed debt and restructuring funds that often benefit from illiquid, contracting markets.
- **Infrastructure investments:** Approximately 6% of JPEL's private equity portfolio is invested in infrastructure-oriented funds, with inherent defensive attributes that may be poised to benefit from increased stimulus packages and government spending.
- **Deep discounted purchases:** JPEL has endeavored to acquire quality companies with "rational" debt levels at deep-discounts to intrinsic value.

### Performance

Each of the Company's three classes of shares have enjoyed significant gains in recent months: US\$ Equity shares increased 30.6% from 31 March to 30 June 2009, while the 2013 ZDPs and 2105 ZDPs increased by 6.8% and 10.38%, respectively.

**JPEL's Equity Share price  
has rebounded approximately  
50.3% since 3 April 2009.<sup>1</sup>**

Despite recent share price improvements, the Company's performance has not been immune to difficult market conditions. JPEL's 30 June 2009 reported NAV per Equity share was \$1.34, down from \$1.85 at 30 June 2008 and from \$1.44 at the quarter ended 31 March 2009. Approximately 6% of this decline can be attributed to currency fluctuations. It is also important to note that JPEL's 30 June 2009 NAV is based on 31 March 2009 financial reports received from the underlying sponsors. While the equity markets have appreciated in the months following March 2009, the potential benefit of this market rebound for JPEL's NAV has not been reflected in the Company's NAV.

(1) Source: Bloomberg, 30 September 2009. **Past performance is not an indication of future performance.**

## Chairman's Statement *(Continued)*

Much of the decline in private equity valuations can be attributed to a combination of accounting rules, global devaluation in the public equity markets and high usage of leverage in private equity transactions. The implementation of FAS 157, requiring private equity firms to estimate "fair value" based on public market comparables (amongst other factors), combined with the general increase in volatility of the public markets has contributed to the increase in volatility of private company valuations.

JPEL's ZDP Shares continue to perform well. The NAV of 2013 ZDP Shares rose 7.3% during fiscal year 2009, from 51.31p to 55.06p per share. 2013 ZDP Share price has increased 36.6% since inception, closing at 58.75p on 30 June 2009. JPEL's 2015 ZDP Shares, launched on 18 December 2008 have performed well over the preceding 7 months. The NAV of 2015 ZDP Shares rose 4.5% since inception, from 48.75p to 50.93p per share. 2015 ZDP Share price has increased 17.0% since inception, from its offer price of 50p to 58.5p on 30 June 2009.

### Outlook

Fiscal year 2009 was one of the most challenging years in history for the global markets and it is likely that 2010 will continue to bring new challenges. Although equity markets have rallied in recent months, the Manager remains generally cautious about the outlook for the global economy. In this vein, the Manager will continue to focus on maintaining a strong balance sheet and will selectively pursue investments with strong defensive characteristics that have the potential to drive net asset value growth. Despite the volatility in the global markets and unforeseen stresses, I remain confident that JPEL will continue to thrive in this environment and emerge as a strong, well capitalized, market innovator in the listed private equity asset class.

In conclusion, I would like to thank shareholders for the support and the continued confidence that they have placed in the Company and in its ability to successfully execute its private equity investment strategy. The Company remains focused on seizing the current market opportunities at hand to create value for our shareholders.

Trevor Ash  
Chairman  
6 October 2009

## Corporate Actions

The 2009 fiscal year was an extremely busy one for the Company. The Company raised approximately \$130 million of new capital through a variety of treasury and tap offerings of US\$ Equity Shares, 2013 ZDP Shares and 2015 ZDP Shares.

On 2 September 2008, JPEL issued 5,947,165 new 2013 ZDP Shares and sold 1,508,658 2013 ZDP Shares held in treasury at 52.5p per share. Later that month, on 23 September, the Company issued 9,606,918 US\$ Equity Shares at US\$1.82 per share, raising approximately US\$24 million during September 2008. In response to investor demand, JPEL created a new class of Zero Dividend Preference Shares due 2015. The Company placed 14,625,650 2015 ZDP shares at a price of 50p per share with a Final Capital Entitlement of 87.3p per share. Admission became effective, settlement occurred and dealings in the 2015 ZDP Shares commenced on 19 December 2008. On 17 March 2009, the Company issued a further 1,462,564 2015 ZDP Shares at 51.25p per share. As part of the Company's bi-annual tender facility, on 4 February 2009, the Company purchased by way of tender 9,221,277 Equity Shares and 2,051,508 2013 ZDP Shares at a price of US\$1.71 and 53.17p, respectively.

On 13 May 2009, the Company announced that Gregory Getschow would be appointed as a director of the Company, replacing Troy Duncan as the Manager's representative on the Board. Troy Duncan served on the Company's Board since 12 October 2007; his resignation provided the opportunity for Gregory Getschow, a co-head of the team responsible for managing the assets of the Company along with Troy Duncan, to sit on the Company's Board. Troy Duncan's role with the Manager and as a co-head of the team responsible for managing JPEL's assets was unchanged in all other capacities. Mr. Getschow, a resident of the United States, has been a member of the Manager since JPEL's inception.

On 15 June 2009, the Board approved an open offer of capital raising by the Company of US\$ Equity Shares on a pro-rata, pre-emptive basis. The Company's Open Offer and subsequent offering of US\$ Equity Shares was extremely well received by investors. Approximately 40% of shares raised through 24 September 2009 were from existing JPEL shareholders. The Company exceeded its initial fundraise target of US\$50 million, raising US\$93.4 million of fresh capital. Below, please find a summary of the various closing dates and amount of shares issued as part of JPEL's 2009 US\$ Equity offering.

- On 16 July 2009, pursuant to the approvals granted by shareholders, the Company announced that it had received applications for 36,926,479 new US\$ Equity Shares pursuant to the Open Offer made to shareholders at an issue price of US\$1.00 per share. The applications represented the acceptance of pre-emptive demand from existing investors totaling US\$36.9 million to the Company.

- On 17 July 2009, under a tap issue placing the Company issued 3,550,000 US\$ Equity Shares at a price of US\$1.00 per share.
- On 31 July 2009, under a tap issue placing, the Company issued 12,812,050 US\$ Equity Shares at a price of US\$1.00 per share.
- On 7 August 2009, under a tap issue placing, the Company issued 6,234,583 US\$ Equity Shares at a price of US\$1.00 per share.
- On 12 August 2009, the Company issued 15,703,886 US\$ Equity Shares at a price of US\$1.00 per share. 12,760,580 US\$ Equity Shares were issued under a tap issue placing and 2,943,306 US\$ Equity Shares were issued out of treasury.
- On 28 August 2009, the Company issued 3,144,965 US\$ Equity Shares at a price of US\$1.00 per share. 1,276,070 US\$ Equity Shares were issued under a tap issue placing and 1,868,895 US\$ Equity Shares were issued out of treasury.
- On 24 September 2009, the Company issued 15,104,710 US\$ Equity Shares at a price of US\$1.00 per share. 127,607 US\$ Equity Shares were issued under a tap issue placing and 14,977,103 US\$ Equity Shares were issued out of treasury.

In addition to the offerings described above, on 18 August 2009, in connection with a bonus issue of warrants to the holders of US\$ Equity Shares, the Company issued 58,075,764 warrants. The warrants may be exercised in relation to the purchase of US\$ equity shares during the period from 1 October 2009 through 30 June 2014. The warrants trade on the main market of the London Stock Exchange under the ticker "JPWW" (ISIN: GG-00B60XDY53, SEDOL: B60XDY53). Documents relating to the warrants can be found on the Company's website ([www.jpelonline.com](http://www.jpelonline.com), [www.jpelonline.co.uk](http://www.jpelonline.co.uk)) under the "Investor Information" and "Shareholder Documents" links.

# Manager's Review



There is something you should know.

## Market Overview

JPEL's 2008 annual report stated that the "landscape of the private equity industry has changed dramatically over the last twelve months." This sentiment proved equally applicable to fiscal year 2009 as we reflect on recent events and their impact on the global private equity, listed private equity and secondary private equity markets.

### Global Private Equity Market

During the twelve months ended 30 June 2009, the global private equity industry experienced a substantial decline in overall fundraising activity, an increase in valuation volatility as well as a dramatic reduction in distributions received. As global markets and investor confidence seem to have improved in the months following the Company's fiscal year end, the Manager remains optimistic about the current market environment.

#### *Decline in fundraising activity*

Declining public market portfolio valuations have left many investors with less available capital to allocate to private equity, resulting in a steep decline in private equity fundraising. The first six-months of 2009 resulted in \$54.9 billion of US private equity fundraising, versus \$153 billion and \$138 billion raised in the first six months of 2008 and 2007, respectively. This represents a 64% decline from 2008 and is the lowest amount of capital raised since 2005, according to Dow Jones Private Equity Analyst.

#### *Increased valuation volatility*

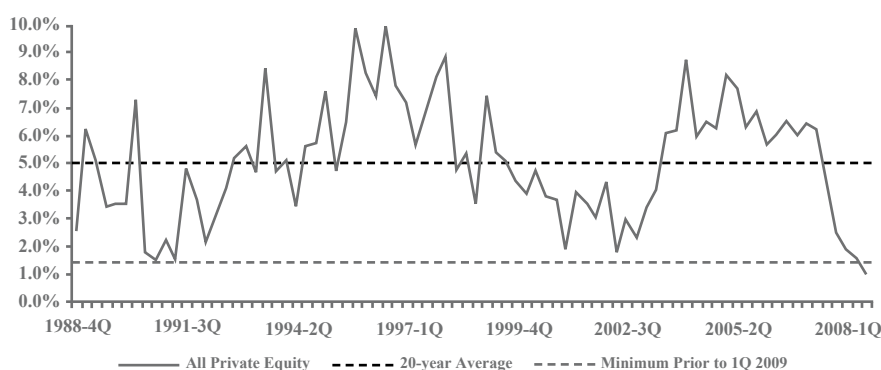
The years 2005 through 2007 represented record-breaking years for the private equity industry and were characterized by historically high acquisition multiples and use of leverage. From 2000 to 2007, average purchase multiples for US buyouts increased from 6.7x to 9.7x while average debt multiples for large US buyouts increased from 4.2x to 6.2<sup>1</sup>. Over the last twelve months, as the economy contracted, the valuation of underperforming portfolio companies was further impacted by relatively high leverage ratios. Large and mega buyout funds were most affected with some funds reporting unrealized portfolio declines of 30% to 50%. Small buyout funds were generally less impacted due to lower purchase and leverage multiples. The combination of a global contraction in valuation multiples and high leverage and purchase multiples have significantly impacted the valuations that private equity firms assign to their underlying portfolio companies.

#### *Reduction in distribution activity*

As activity in the IPO and the merger and acquisition markets declined over the last few quarters, distribution flows to private equity limited partners have decreased sharply. According to data provided by Thomson Financial, distributions as a percentage of private equity net asset value have declined over 85% from a peak of 8.2% of net asset value at 2Q 2005 to 0.9% of net asset value at 1Q 2009. Many investors who rely on private equity distributions to fund capital calls have been left without sufficient capital to reinvest in the asset class, according to *Preqin's Private Equity Investor Survey*. Additionally, according to the same survey, approximately 59% of investors made no allocations to private equity in the first half of 2009, due to reduced distribution proceeds from private equity funds.

The chart below illustrates the decline in distributions received from US and European private equity portfolios over the last twenty years as a percentage of private equity net asset value.

**US and European distributions as a % of private equity net asset value**



Source: Thomson Financial / VentureXpert as at 31 March 2009.

(1) S&P Q4 2008 Leveraged Buyout Review. Includes issuers with EBITDA greater than \$50 million.

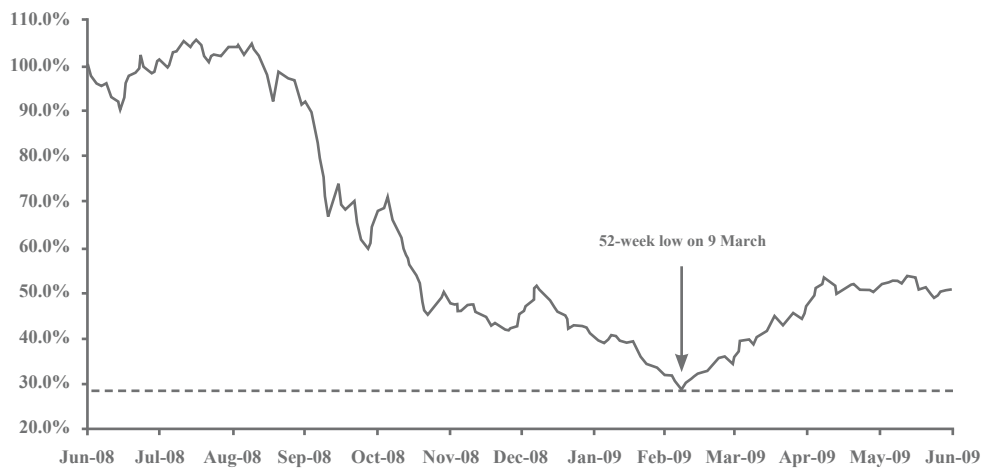
## Market Overview *(Continued)*

### Listed Private Equity Market

As the credit crisis intensified in late 2008 and early 2009, the listed private equity asset class came under pressure. Several “blue chip” listed private equity firms experienced capital structure issues and liquidity concerns due to over-commitment strategies. These concerns reverberated throughout the industry and garnered negative media scrutiny across the asset class.

The chart below shows the performance of the LPX Composite Index from 30 June 2008 to 30 June 2009. The index fell almost 72% from 30 June 2008 to its 52-week low on 9 March 2009. From 9 March to 30 June 2009, the index rebounded by approximately 77%.<sup>1</sup>

**30 June 2008 – 30 June 2009 Performance: LPX Composite Index<sup>1</sup>**



Source: Bloomberg. As at 30 June 2009.

Much of the criticism surrounding the listed private equity industry has centered around two key themes: leverage and over commitment strategies.

- **Use of leverage:** As the global credit crisis intensified, contractions in cash flow and earnings multiples were enhanced by the use of leverage at underlying portfolio company levels. This reduction in valuation multiples resulted in declines in reported net asset values across the listed private equity sector. In this vein, net asset values for those listed private equity funds that focused on the larger end of the buyout market were significantly impacted.
- **Over-commitment strategies:** Many listed private equity firms have been impacted by the use of significant over-commitment strategies. Over-commitment strategies are often used to achieve “fully invested” private equity portfolios. Listed private equity firms typically commit more capital than is currently available and rely on distribution activity from the sale of underlying portfolio companies to fund future capital calls. Over the last year, distribution activity has slowed significantly and many firms were left with substantial unfunded commitment levels and insufficient capital to fund these commitments.

Over the last few months, a variety of potential sellers, including pension funds, endowment funds, and listed private equity funds have reviewed their individual cash flow obligations and have taken steps to reduce unfunded obligations to private equity funds. .

(1) Past performance is not an indication of future results.

## Market Overview *(Continued)*

In the third quarter of calendar year 2009, the markets for listed private equity appeared to be stabilizing yet the operating environment remains challenging. JPEL remains focused on efficiently managing capital and selectively making new investments.

### 30 June 2008 – 30 September Performance: LPX Composite Index<sup>1</sup>



Source: Bloomberg. As at 30 September 2009.

## Secondary Private Equity Market

It has been widely reported that there is an abundance of secondary portfolios available for sale. Much of this potential sale activity can be attributed to an over allocation to the private equity asset class due to falling valuations of public assets; the denominator effect, whereby many pension funds and endowment funds became over-allocated to private equity due to declines in their public market portfolios; and a general need for liquidity. Traditional secondary investors and new entrants to the secondary market are eager to take advantage of these opportunities. According to Dow Jones Private Equity Analyst, during the first half of 2009, 18 secondary funds raised approximately \$13.9 billion in capital to take advantage of these opportunities, representing a new record for the secondary fund category.

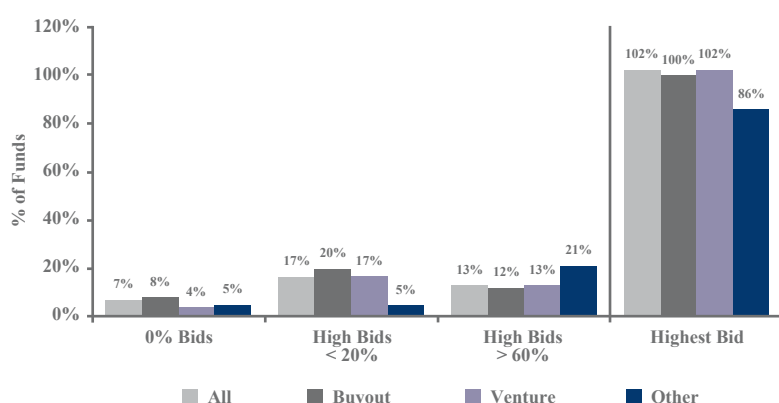
Despite the significant amount of capital raised to date secondary transaction volume has been relatively light. This lack of activity can be attributed to several factors, including the “bid-ask spread” or price offered for secondary portfolios, the lack of new investment activity that typically fuels capital calls as well as the high amount of unfunded commitments within portfolios for sale (which many secondary investors find undesirable).

(1) Past performance is not an indication of future results.

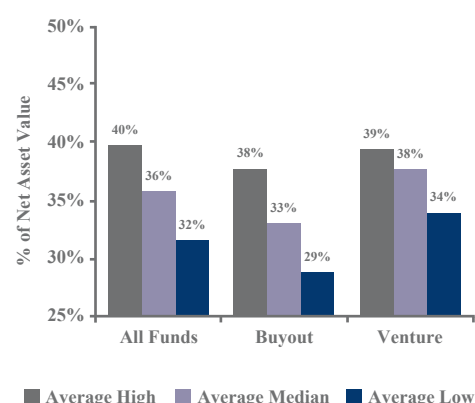
## Market Overview *(Continued)*

- Bid-ask spread:** Over the last year, the gap between prices offered by buyers of secondary interests and the prices sought from sellers of secondary interests widened, resulting in transactions being priced at historic lows to net asset values. According to Cogent Partners review of pricing and trends in secondary sales, the average high bid across all assets for the first half of 2009 was 39.6% of the NAV of the funds' most recent financial statements<sup>1</sup>, compared to 84.7% for the first half of 2008 and 108.7% for the full-year 2007 analysis<sup>2</sup>. Cogent Partners reports that "further bids received after the first half of 2009 also suggest that secondary pricing is improving."<sup>3</sup>

### 1H 2009 Secondary Pricing Dispersion



### 1H 2009 Secondary Bid Spreads



Source: Cogent Partners, Secondary Pricing Analysis Interim Update, Summer 2009

- Low primary fund investment activity due to constrained credit markets and valuation concerns:** Managers of many private equity funds have been hesitant to call capital due to uncertainty surrounding the economy, highly constricted debt markets, unwilling sellers, and liquidity stressed limited partners. Without any imminent funding obligations, investors have been able to maintain their commitments. As the economy begins to improve and managers begin to acquire new portfolio companies and draw down capital, it is anticipated that there will be an increase in secondary market activity as investors look to dispose of their private equity investments.
- Sale of unfunded portfolios:** As a result of liquidity pressure being expressed by a number of private equity limited partners, the first half of 2009 has witnessed more unfunded portfolios for sale than in recent years. Unfunded portfolios (those portfolios that are less than 50% funded) are typically less attractive because they require additional funding obligations and provide limited visibility into future portfolio company investments. Cogent Partners has reported a discrepancy of over 50% between funds that have called less than 50% of their commitments versus those funds who are more than 50% funded. More unfunded portfolios (less than 50%) had an average high bid of 27.2% of net asset value while those portfolios which were more than 50% funded had an average bid of 42.7% of net asset value.

The Manager expects that secondary activity will continue to grow in the coming years. Over the past ten years more than \$1 trillion dollars has been committed to private equity funds. Of this, it is estimated that \$30 billion in commitments available for secondary purchases and as much as \$200 billion of commitments will be sold over the next two years<sup>3</sup>. As the economy begins to normalize, the Manager believes the current overhang in the secondary market will provide interesting investment opportunities.

(1) Cogent Partners Secondary Pricing Analysis Interim Update, Summer 2009

(2) Cogent Partners Mid-Year 2008 Secondary Market Pricing and Outlook.

(3) Dow Jones Guide to Secondary Market Buyers. June 2009.

## JPEL's 2009 Investment Activity

Given the continued volatility in the global marketplace, the Company remains extremely selective in deploying capital. In fiscal year 2009, the Company acquired new investments totaling \$85.7 million in NAV, \$72.8 million in new commitments<sup>1</sup>.

### Industry Ventures Fund V, L.P. ("Industry Ventures V")

Date of Investment	September 2008	Industry Ventures Fund V is a venture capital fund that primarily invests in information technology and telecommunications companies.
Geographic Focus	North America	
Investment Type	Primary	
Investment Strategy	Venture Capital	

### Leeds Equity Partners IV Co-Investment Fund A ("Leeds IV Co-Investment")

Date of Investment	September 2008	Leeds IV Co-Investment Fund is invested in a post-secondary education company.
Geographic Focus	North America	
Investment Type	Secondary / Co-Investment	
Investment Strategy	Buyout	

### Alia Capital Fund I C.V. ("Alia")

Date of Investment	September 2008	Alia is invested in one of Spain's leading multi-brand food chains, operating fast food and casual dining restaurants.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Buyout	

### Leeds Equity Partners V, L.P. ("Leeds V")

Date of Investment	October 2008	Leeds V is primarily focused on education related industries. This investment was made in relation to a previous secondary transaction with the Manager.
Geographic Focus	North America	
Investment Type	Primary	
Investment Strategy	Buyout	

### Terra Firma Deutsche Annington ("Terra Firma")

Date of Investment	December 2008	Terra Firma is a real estate fund focused on Germany.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Real Estate	

### Omega Fund IV, L.P. ("Omega IV")

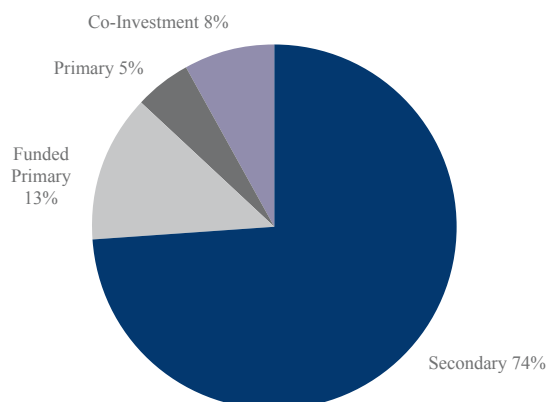
Date of Investment	June 2009	Omega IV is a secondary portfolio of European life science companies.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Venture Capital	

(1) Of the seven investments made during the fiscal year, the Company subsequently divested its interest in one investment, Special Situations Realty Partners III, L.P.

## Portfolio Review

Since inception on 30 June 2005, JPEL has focused on building a defensive portfolio that the Manager believes is well positioned to withstand a market correction.

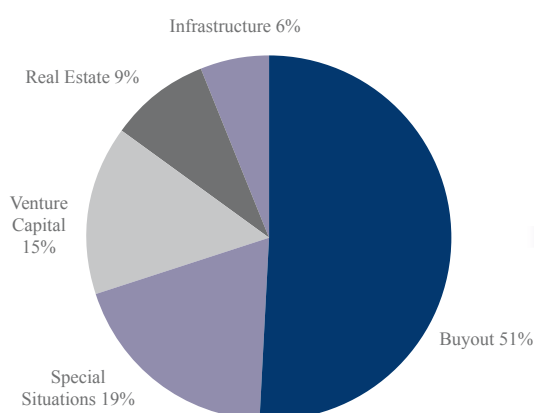
### Investment Type<sup>1</sup>



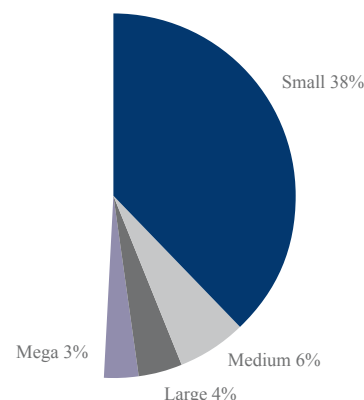
Acquiring private equity interests in the secondary market is at the core of the JPEL's investment strategy. Through secondary investing the Company is able to purchase investments from motivated and distressed sellers at a deep discount to their intrinsic value.

As at 30 June 2009, 95% of private equity net asset value was invested in "highly funded assets" (those assets acquired through secondary purchases of private equity funds, funded primaries or direct investments). These investments include lower to middle market buyout funds, special situation funds, venture funds and traditional leveraged buyout funds. Within the "highly funded asset" segment, secondary purchases of private equity funds accounted for 74% of private equity net asset value, co-investments accounted for 8%, and funded primaries accounted for 13% of private equity net asset value. Primary funds accounted for 5% of private equity net asset value.

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



### Buyout Fund Sizes



Through an active approach to investment management, JPEL's Manager is able to adjust the composition of the Company's portfolio. Currently, buyout funds constitute approximately 51% of the portfolio. Within this strategy, the majority of JPEL's investments are with fund managers that focus on small to medium sized buyouts, which generally utilize less leverage. In recent years, JPEL has increased its focus on special situations funds including, mezzanine, debt, turnaround and distressed funds that tend to fair better in constricted markets. Special situation funds represent approximately 19% of private equity net asset value. Infrastructure and venture capital funds represent 6% and 15% of private equity net asset value, respectively. Capitalizing on distressed sellers, JPEL has added exposure to its real estate portfolio since 30 June 2008, JPEL has increased the Company's allocation to real estate in 2009 from 2.2% at 30 June 2008 to 9% at 30 June 2009.

(1) Based on Net Asset Value as at 30 June 2009, based on underlying fund-level values.

## Portfolio Review *(Continued)*

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

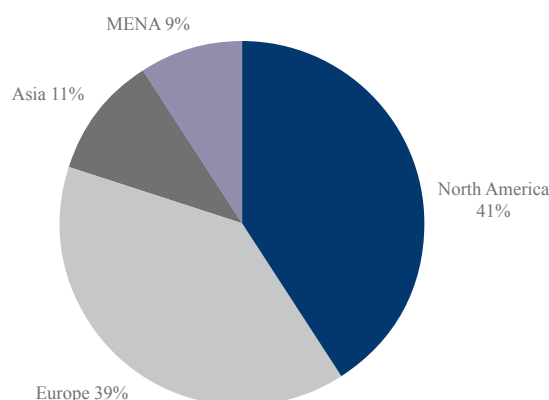
#### Average Age of Portfolio by Investment Strategy

Average age of investments	3.9 years
• Buyout investments:	3.5 years
• Small buyout:	3.2 years
• Medium buyout:	3.2 years
• Large buyout:	4.3 years
• Mega buyouts:	4.1 years
• Venture Capital investments:	6.4 years
• Real Estate investments:	4.0 years
• Special Situations:	3.1 years
• Infrastructure investments:	3.0 years

The Manager also considers vintage year and portfolio age when allocating capital.

With an average age of 3.9 years, JPEL's portfolio is well positioned on the private equity "J-Curve" to receive distributions once markets normalize.

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



Constructing a geographically diversified portfolio is one of the central principles of JPEL's investment strategy. The Portfolio is diversified with investments in approximately 40 countries, helping to mitigate country and regional risk.

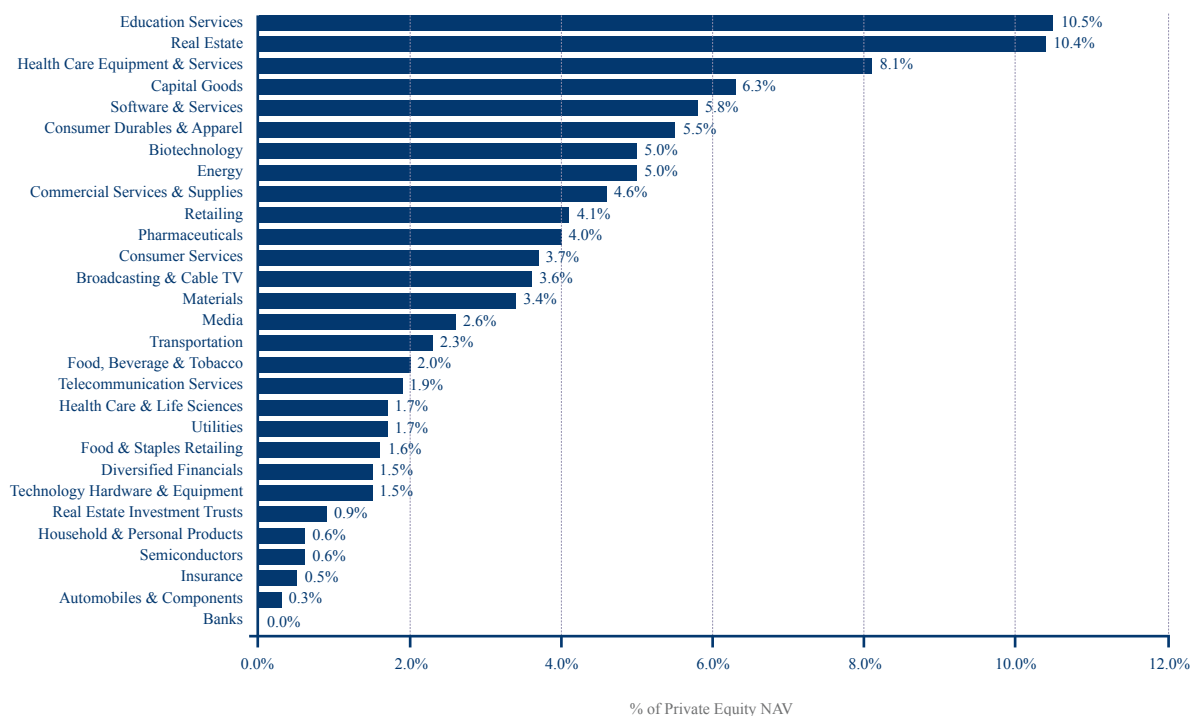
North America and Europe represent the great majority of the Company's Portfolio at 41% and 39%, respectively. To capitalize on the growth of expanding economies, JPEL has focused on widening its investment reach outside the primary regions of North America and Europe. Asia and MENA (Middle East and North Africa) now comprise 11% and 9% of the portfolio, respectively.

(1) Source: Manager. Average age of investments is based on the vintage year in which each individual portfolio company investment was made, subject to availability. Weighting is based on underlying portfolio company level values. Age calculated at 1 September 2009. Average is weighted based on private equity investment value as at 30 June 2009, percentages based on underlying company-level values.

(2) Based on private equity investment value as at 30 June 2009, percentages based on underlying company-level values.

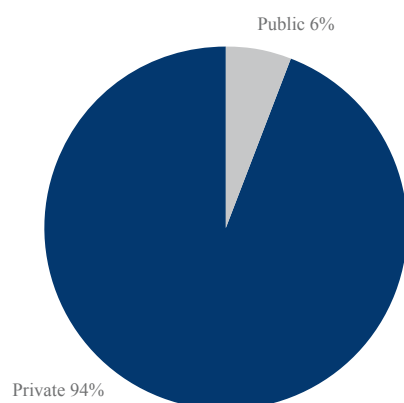
## Portfolio Review *(Continued)*

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



In addition to geographic diversification, JPEL's Manager diversifies the portfolio by industry composition. The Manager has placed an emphasis on investing in industries with counter-cyclical or defensive characteristics. At 30 June 2009, healthcare, education, energy and cable comprised 40% of JPEL's portfolio.

### Public Market Exposure<sup>1</sup>



At 30 June 2009, 6% of JPEL's portfolio had exposure to the public markets.

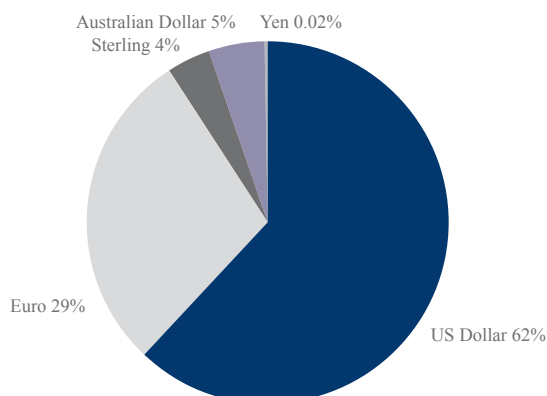
JPEL's exposure to the public markets is primarily derived from indirect and direct investments in private companies that are subsequently taken public.

(1) Based on private equity investment value as at 30 June 2009, percentages based on underlying company-level values.

## Currency Exposure

The fiscal year ending 30 June 2009 witnessed continued volatility in the global currency markets. The Manager continues to monitor JPEL's exposure to foreign currencies and takes currency exposure into consideration when selecting investments. The balances of JPEL's US Dollar denominated assets may change as the Company continues to pursue an investment policy focused on geographic diversification.

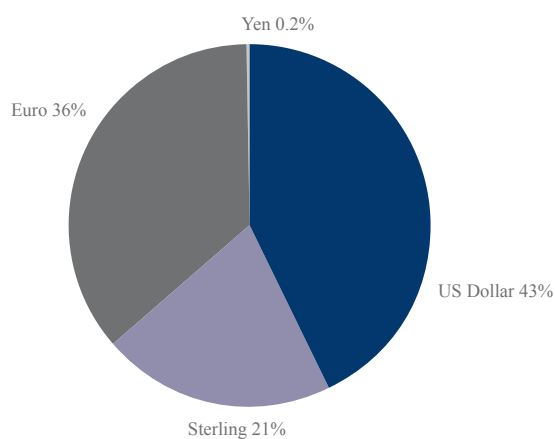
### Currency Composition<sup>1</sup>



JPEL had a total private equity portfolio of \$519.2 million at the end of the fiscal year. Investments held in US Dollars made up approximately 62% of its value. As a result of the purchase of the Macquarie Private Capital Trust in 2008, approximately 5% of the Company's assets are denominated in Australian Dollars.

The Manager will continue to pursue investments that will likely enhance currency diversification and reduce overall exposure risk.

### Cash Account Holdings



JPEL ended the fiscal year with total cash balances of \$28.6 million.

Approximately 43% of JPEL's cash balance was held in US Dollars, 36% was held in Euros, 21% in Sterling and 0.2% in Japanese Yen.

(1) Based on private equity investment value as at 30 June 2009, percentages based on underlying fund-level values.

## Top 20 Funds & Companies Information

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

	Fund	Region	Fund Strategy	% of Private Equity Investments
1	Terra Firma Deutsche Annington	Europe	Real Estate	7.97%
2	Global Opportunistic Fund	Other	Buyout	5.98%
3	Avista Capital Partners (Offshore)	North America	Buyout	4.68%
4	Liberty Partners II	North America	Buyout	4.50%
5	AIG Highstar Capital III Prism Fund	North America	Buyout	3.53%
6	Omega Fund III	Europe	Venture Capital	3.45%
7	Esprit Capital I Fund	Europe	Venture Capital	3.27%
8	Omega Fund IV	Europe	Venture Capital	3.26%
9	Almack Mezzanine I Fund	Europe	Special Situations	2.52%
10	Hutton Collins Capital Partners II	Europe	Special Situations	2.35%
11	Alcentra Euro Mezzanine No1 Fund	Europe	Special Situations	2.23%
12	Global Buyout Fund	Other	Buyout	2.21%
13	Leeds Equity Partners IV	North America	Buyout	1.99%
14	Olympus Capital Asia III (Offshore)	Asia	Buyout	1.84%
15	Strategic Value Global Opportunities Master Fund	North America	Special Situations	1.77%
16	Macquarie Wholesale Co-investment Fund	Asia	Buyout	1.66%
17	Strategic Value Global Opportunities Feeder Fund I-A	North America	Special Situations	1.48%
18	AIG MezzVest II	Europe	Special Situations	1.34%
19	Argan Capital Fund	Europe	Buyout	1.23%
20	Industry Ventures Fund IV	North America	Venture Capital	1.14%

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

	Company	Country	Industry Group	% of Private Equity Investments
1	Deutsche Annington Immobilien Group	Germany	Real Estate	7.46%
2	Education Management Corporation	United States	Consumer Services	5.30%
3	Concorde Career Colleges	United States	Consumer Services	2.74%
4	HGX Private Equity Fund LP	Germany	Media	2.29%
5	Knight Holdco	United States	Energy	1.94%
6	Paratek Pharmaceuticals	United States	Pharma, Biotech & Life Sciences	1.93%
7	Gulf Healthcare International	United Arab Emirates	Health Care Equipment & Services	1.85%
8	Step 2 Holdings	United States	Consumer Durables & Apparel	1.13%
9	Olympus Alloy Holdings	China	Materials	1.05%
10	Nycomed	Denmark	Pharma, Biotech & Life Sciences	1.02%
11	Ajlan & Brothers Company 1	Saudi Arabia	Consumer Durables & Apparel	0.99%
12	Lantheus	United States	Health Care Equipment & Services	0.91%
13	Santaris Pharma	Denmark	Pharma, Biotech & Life Sciences	0.81%
14	Zena	Spain	Consumer Services	0.75%
15	Everis Spain	Spain	Software & Services	0.71%
16	FibroGen Inc.	United States	Pharma, Biotech & Life Sciences	0.70%
17	Planet Pharmacies	United Arab Emirates	Food & Staples Retailing	0.62%
18	HHH Ports America Holdings I	United States	Transportation	0.62%
19	EduK Group	United States	Consumer Services	0.58%
20	Hortex Holding S.A.	Poland	Food, Beverage & Tobacco	0.57%

(1) 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., Hunter Acquisition Limited, BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

(2) Percentages are calculated based on 30 June 2009 total private equity investment value.

## 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 \$230.8 million, or 44.5% of total private equity investment value, at 30 June 2009.

### 1. Terra Firma Deutsche Annington, L.P.

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	\$41.4 million	
% of NAV	8.0%	

### 2. Global Opportunistic Fund

Sponsor	Global Investment House	Global Opportunistic Fund invests in management buyouts and public to private transactions in the Middle East and North Africa region.
Geographic Focus	Middle East	
Investment Type	Secondary	
Investment Strategy	Buyout	
Date of Investment	January 2008	
Current NAV	\$31.1 million	
% of NAV	6.0%	

### 3. Education Management Corporation

Sponsor	Leeds Equity Partners	Education Management Corporation is among the largest 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, behavioral sciences, health sciences, education, information technology, legal studies and business fields.
Geographic Focus	North America	
Investment Type	Secondary	
Investment Strategy	Buyout	
Date of Investment	September 2008	
Current NAV	\$27.5 million	
% of NAV	5.3%	

### 4. Avista Capital Partners (Offshore), L.P.

Sponsor	Avista Capital Partners	Avista Capital Partners makes controlling or influential minority investments in media, healthcare and energy 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	\$24.3 million	
% of NAV	4.7%	

(1) Top 10 Investments include fund investments and direct investments by net asset value. Also includes interests indirectly owned through the purchase of secondary interests.

## Top 10 Investments<sup>1</sup> *(Continued)*

### 5. Liberty Partners II, L.P.

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	\$23.3 million	
% of NAV	4.5%	

### 6. Highstar Capital III Prism Fund, L.P.

Sponsor	AIG Global Investment Group	Highstar Capital III Prism Fund aims to acquire controlling or influential minority investments in infrastructure related assets and businesses. In particular, the Fund targets investments in assets and businesses that provide essential services and products in the energy, transportation, waste management and water sectors.
Geographic Focus	North America	
Investment Type	Funded Primary	
Investment Strategy	Infrastructure	
Date of Investment	September 2007	
Current NAV	\$18.3 million	
% of NAV	3.5%	

### 7. Omega Fund III, L.P.

Sponsor	Omega Fund	Omega Fund III is a secondary private equity fund, which is focused on late-stage healthcare venture investing.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Venture Capital	
Date of Investment	May 2007	
Current NAV	\$17.9 million	
% of NAV	3.5%	

### 8. Esprit Capital I Fund

Sponsor	Esprit Capital Partners	Esprit Capital I Fund focuses on venture expansion investments in leading technology, telecom and media companies, primarily in the UK and Europe.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Venture Capital	
Date of Investment	November 2006	
Current NAV	\$17.0 million	
% of NAV	3.3%	

(1) Top 10 Investments include fund investments and direct investments by size. Also includes interests indirectly owned through the purchase of secondary interests.

## Top 10 Investments<sup>1</sup> *(Continued)*

### 9. Omega Fund IV, L.P.

Sponsor	Omega Funds
Geographic Focus	Europe
Investment Type	Secondary
Investment Strategy	Venture Capital
Date of Investment	June 2009
Current NAV	\$16.9 million
% of NAV	3.3%

Omega Fund IV is a secondary portfolio of European life science companies.

### 10. Almack Mezzanine I Fund, L.P.

Sponsor	Babson Capital
Geographic Focus	Europe
Investment Type	Secondary
Investment Strategy	Special Situations
Date of Investment	November 2007
Current NAV	\$13.1 million
% of NAV	2.5%

Almack Mezzanine I Fund invests in senior loans, mezzanine loans and buyout-related high-yield bonds, predominately in Europe. The Fund targets both large and mid-market mezzanine investments in the UK and Continental European markets.

(1) Top 10 Investments include fund investments and direct investments by size. Also includes interests indirectly owned through the purchase of secondary interests.

## Board of Directors

The Board of Directors is comprised of four non-executive directors, and no individual has the ability to make unilateral decisions. As required by the UK Listing Rules, the Board of Directors is independent of the Managers<sup>(1)</sup>; it oversees the activities of the Group, but is not involved in the day-to-day management of the Group. In preparing this Annual Report and Financial Statements, the independence of each Director has been considered. The day-to-day management of the Group will remain the responsibility of the Managers, acting through the Managers' employees.

### Trevor Ash, Chairman

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

### John Loudon, Director

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

### Christopher Spencer, Director

**Christopher Spencer, 59** qualified as a chartered accountant in London in 1975. Mr. Spencer, who specialized in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Mr. Spencer is a past President of the Guernsey Society of Chartered and Certified Accountants, and a past Chairman of the Guernsey Branch of the Institute of Directors. Mr. Spencer sits on the Board of Directors of Queen's Walk Investments Limited, IRP Property Investment, Kenmore European Industrial Fund Limited, Dexion Trading Limited, Henderson Far East Income limited, Ruffer Investment Company Limited and Low Carbon Accelerator Limited, each of which is listed on the London Stock Exchange. Mr. Spencer also sits on the Board of Directors of Thames River Kingsway Fund Limited, Thames River Hillside Apex Fund SPC, Thames River Longstone Limited, Thames River Kingsway Plus Fund Limited, and Nevsky Fund limited, each of which is listed on the Irish Stock Exchange. Mr. Spencer is also a member of the Board of Directors of a number of companies, details of which can be found in the latest prospectus of the Company which can be found at the investor section of the Company's website. Mr. Spencer is a resident of Guernsey.

### Troy Duncan<sup>(2)</sup>, Director (resigned on 13 May 2009)

**Troy Duncan, 41** is a Managing Director of J.P. Morgan Asset Management and a portfolio manager for the Company. Mr. Duncan has been on the Company's investment committee since its inception on 30 June 2005. Prior to joining J.P. Morgan Asset Management, Mr. Duncan was a Senior Managing Director of BSAM Inc. Prior to joining BSAM Inc., Mr. Duncan was a Senior Vice President of BDC Financial, Inc. a firm that provided customized investment management and advisory services to institutional and high-net-worth investors in private equity. Prior to BDC Financial, Mr. Duncan held senior financial and operation positions in venture-backed and middle-market companies. Mr. Duncan received a JD from Fordham University School of Law and an AB from the University of Notre Dame. Mr. Duncan is a resident of the US.

### Gregory Getschow<sup>(3)</sup>, Director (appointment announced on 13 May 2009, approved by Guernsey Registry on 11 June 2009)

**Gregory Getschow, 45** is a Managing Director of J.P. Morgan Asset Management and a portfolio manager for the Company. Mr. Getschow has been on the Company's investment committee since its inception on 30 June 2005. Prior to joining J.P. Morgan Asset Management, Mr. Getschow was a Senior Managing Director of BSAM Inc. Prior to joining BSAM Inc., Mr. Getschow was a co-founder of BDC Financial, Inc. Mr Getschow began his career practicing law at Bingham Dana LLP and Sullivan & Worcester LLP. Mr. Getschow received a JD from Villanova Law School, where he was a member of the Law Review, and an AB from Colby College.

(1) Though a majority of the Board of Directors is unaffiliated with the Managers, Troy Duncan is a senior executive of BSAM Inc., the Manager, the manager of the Group. Gregory Getschow, who was appointed to the Board of Directors on 11 June 2009, is a senior executive of BSAM Inc., the Manager.

# Directors' Report



# Directors' Report

## Introduction

The Directors present their report together with the audited consolidated financial statements of J.P. Morgan Private Equity Limited and its subsidiaries (the "Group") for the year ended 30 June 2009. The financial highlights are set out on page 2. A detailed review of activities is contained in the Manager's Review on page 15.

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

## Principal Activity

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

## Going Concern

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

## Corporate Governance

### Principles Statement

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

### Role of the Board

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

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

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

### Board Decisions

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

### Directors, Rotation of Directors and Directors Tenure

The Directors listed below were all appointed on 28 April 2005 except where detailed below:

Trevor Charles Ash

John Loudon

Christopher Paul Spencer

Troy Duncan (appointed 12 October 2007, resigned 13 May 2009)

Gregory Getschow (appointed 11 June 2009)

## Directors' Report *(Continued)*

### Corporate Governance (continued)

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

#### Directors Interests

Mr. Gregory Getschow and Mr. Troy Duncan are senior executives of Bear Stearns Asset Management Inc. ("BSAM Inc."), the Manager to the Group and a subsidiary of JPMorgan Chase & Co. Directors do not hold directly or indirectly shares in the Group.

#### Audit Committee

The Board as a whole fulfils the function of an audit committee in relation to, amongst other things, monitoring the internal controls of the Group and its service providers, reviewing the financial statements of the Group, monitoring the independence of the auditor and the effectiveness of the audit process and reviewing the findings of the external auditor. The Board considers that, given its size and the size of the Group, 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 Group, 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 Group, 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 Manager and the Administrator. The Manager's report comments on:

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

The Administrator provides a compliance report.

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

The below table shows the attendance at Board meetings during the year to 30 June 2009.

	Quarterly Board Meetings Attended	Other Ad-hoc Board Meetings Attended
Trevor Charles Ash	4	5
John Loudon	2	1
Christopher Paul Spencer	4	8
Troy Duncan	3	5
Gregory Getschow	-	-
<b>No. of meetings during the period</b>	<b>4</b>	<b>10</b>

## Director's Report *(Continued)*

### Board meetings (continued)

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

### Internal Controls

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

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

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

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

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

### Manager

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

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

In conjunction with the Groups acquisition of Macquarie Private Capital Group ('MPCG'), Macquarie Investment Management Limited ('MIML') was retained as an advisor 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 period.

### Dividends

The Directors do not propose the payment of a dividend.

### Independent Auditor

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

## Director's Report *(Continued)*

### Shareholder Relations

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

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

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

### Results of Extraordinary General Meeting (EGM) of 5 September 2008

The Company convened an EGM on 5 September 2008 to vote on the following resolutions all of which were approved by the shareholders;

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

### Results of Annual General Meeting (AGM) of 13 May 2009

The Company convened an AGM on 13 May 2009 to vote on the following resolutions all of which were approved by the shareholders;

- To approve the new Articles including, inter alia, insertion of the rights attaching to 2015 Zero Dividend Preference Shares
- To renew the Company's authority to make purchases of its own issued shares pursuant to the tender offer
- To renew the Company's authority to make purchases of its own issued shares
- To authorise the Company to send documents in electronic form and/or by means of a website to Shareholders
- To approve and adopt the Annual Report and Financial Statements of the Company for year ended 30 June 2008
- To re-elect KPMG Channel Islands Limited as Auditors to the Company
- To authorise the Directors to determine the remuneration of the Auditors
- To authorise and agree the remuneration of the Directors

## Director's Report *(Continued)*

### Results of the Special General Meeting (SGM) and the Extraordinary General Meeting (EGM) of 16 July 2009

The Company convened an SGM on 16 July 2009 to vote on the following resolutions all of which were approved by the shareholders;

- To sanction and consent to the Open Offer of Open Offer Shares, the issue of Open Offer shares at a discount to the prevailing Net Asset Value per US\$ Equity Share pursuant to the Open Offer and the amendment to the Articles of Incorporation to permit the issue and/or sale of remaining Open Offer Shares at a discount to the prevailing Net Asset Value per US\$ Equity Share at the time of offer.
- To sanction and consent to the Bonus Issue of Warrants and the issue of US\$ Equity Shares at a discount to the prevailing Net Asset Value per US\$ Equity Share pursuant to the Subscription Rights attaching to the Warrants

The Company also convened an EGM on 16 July 2009 to vote on the following resolutions all of which were approved by the shareholders;

- To approve the amendment to the Articles of Incorporation to, inter alia, permit the issue and/or sale of remaining Open Offer Shares at a discount to the prevailing Net Asset Value per US\$ Equity Share at the time of offer.
- To renew the Directors' authority to issue Shares for a period of 5 years.

### 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.

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 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 make himself aware of any relevant audit information and to establish that the Company's Auditors is aware of that information.

## Director's Report *(Continued)*

### Statement of the Directors' Responsibilities (continued)

We also confirm that to the best of our knowledge:

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

By order of the Board

Trevor Ash  
Director

Chris Spencer  
Director

Date: 6 October 2009

# Independent Auditor's Report

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

We have audited the financial statements of J.P. Morgan Private Equity Limited (the "Company") for the year ended 30 June 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 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 auditors

The Directors' responsibilities for preparing the financial statements which give a true and fair view and are in accordance with International Financial Reporting Standards and are in compliance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities on page 35.

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

We report to you our opinion as to whether the financial statements give a true and fair view, are in accordance with International Financial Reporting Standards and comply with The Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

## Basis of audit opinion

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

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

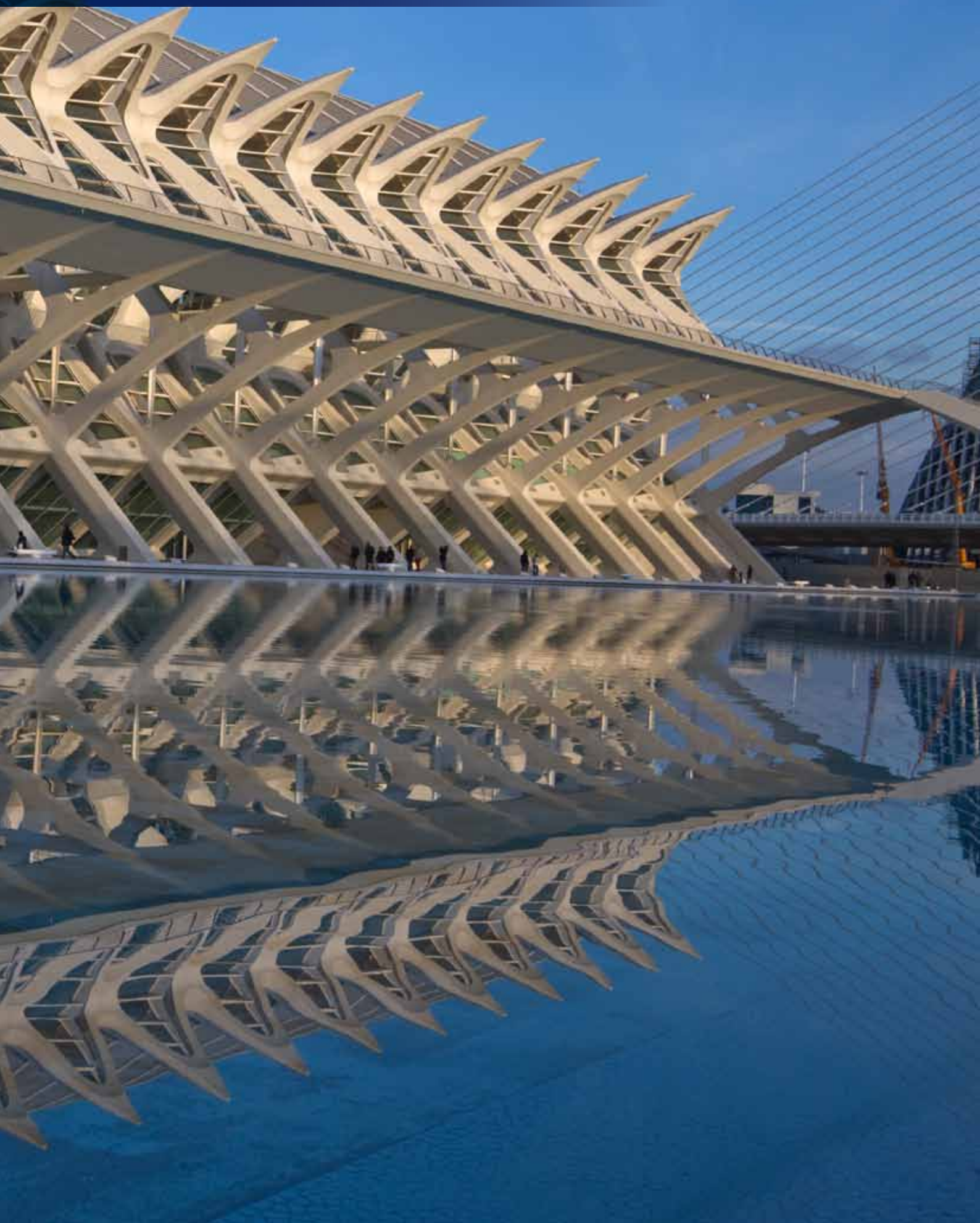
## Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2009 and of Group's loss for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

**KPMG Channel Islands Limited**  
**Chartered Accountants**

# Financial Statements



## Consolidated Income Statement

For the year ended 30 June 2009

	Notes	2009	2008
		£'000	£'000
<b>Investment income</b>			
Interest and dividend income	2	<u>4,234</u>	<u>4,091</u>
<b>Expenses</b>			
Investment management fee	11	(4,411)	(2,728)
Valuers' fees		-	(26)
Administrative fee	11	(257)	(190)
Audit fee		(106)	(76)
Directors' fees	14	(73)	(83)
Performance fee	11	-	(1,375)
Other expenses	4	(3,643)	(1,474)
<b>Total Expenses</b>		<u>(8,490)</u>	<u>(5,952)</u>
<b>Net loss before finance costs</b>		(4,256)	(1,861)
<b>Finance costs</b>			
Loan interest payable	3	(7,304)	(94)
ZDP interest payable	3 & 9	(2,505)	(3,686)
<b>Gains/(losses) from investments</b>			
Net (losses)/gains on investments	5	(105,450)	36,701
Realised foreign currency gain/(loss)		2,259	(678)
Unrealised foreign currency gain		4,656	3,710
<b>(Loss)/profit for the year</b>		<u>(112,600)</u>	<u>34,092</u>
Attributable to equity holders of the Company		(94,892)	28,112
Attributable to minority interests		(17,708)	5,980
		<u>(112,600)</u>	<u>34,092</u>
Basic and diluted (loss)/earnings per share	12	(34.0p)	10.0p

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

The notes on pages 44 to 72 form an integral part of these financial statements.

## Consolidated Balance Sheet

As at 30 June 2009

	Notes	2009	2008
		£'000	£'000
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	6	<b>369,836</b>	<b>374,159</b>
<b>Current assets</b>			
Cash and cash equivalents		17,862	13,789
Receivables		552	2,092
		<b>18,414</b>	<b>15,881</b>
<b>Current liabilities</b>			
Payables and accruals		(8,323)	(6,332)
Derivative financial instruments	7	(289)	(255)
<b>Net current assets</b>		<b>9,802</b>	<b>9,294</b>
<b>Non-current liabilities</b>			
Loan	8	(101,973)	(59,875)
Zero dividend preference shares	9	(43,085)	(30,375)
		<b>(145,058)</b>	<b>(90,250)</b>
<b>Net Assets</b>		<b>234,580</b>	<b>293,203</b>
Represented by:			
Share capital	10	188,049	29
Reserves	10	34,503	270,307
Total equity attributable to equity holders of the Company		<b>222,552</b>	<b>270,336</b>
Minority interest		12,028	22,867
Total equity		<b>234,580</b>	<b>293,203</b>
NAV per Equity share	12	£0.81	£0.92

The financial statements on pages 37 to 69 are approved by the Board of Directors on 6 October 2009 and are signed on its behalf by:

Trevor Ash  
Director

Chris Spencer  
Director

The notes on pages 44 to 72 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share Capital Account £'000	Share Premium £'000	Accumulated Losses £'000	Capital Reserve £'000	Currency Translation Reserve £'000	Capital Redemption Reserve £'000	Special Distributable Reserve £'000	Total £'000	Minority Interest £'000	Total £'000
At 1 July 2008	29	7,636	(4,829)	69,838	(3,211)	4	200,869	270,336	22,867	293,203
Transfer (Note 10)	208,509	(7,636)	-	-	-	(4)	(200,869)	-	-	-
Share buy backs	(31,272)	-	-	-	-	-	-	(31,272)	-	(31,272)
Treasury sale	10,828	-	-	-	-	-	-	10,828	-	10,828
Share issue costs	(45)	-	-	-	-	-	-	(45)	-	(45)
Loss for the year	-	-	(4,746)	(90,146)	-	-	-	(94,892)	(17,708)	(112,600)
Effect of translation of presentation currency	-	-	-	-	67,597	-	-	67,597	5,535	73,132
Issue of shares in subsidiary to minority interests	-	-	-	-	-	-	-	-	1,746	1,746
Minority interest ceded	-	-	-	-	-	-	-	-	(412)	(412)
At 30 June 2009	<b>188,049</b>	-	<b>(9,575)</b>	<b>(20,308)</b>	<b>64,386</b>	-	-	<b>222,552</b>	<b>12,028</b>	<b>234,580</b>

The notes on pages 44 to 72 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Share Capital Account £'000	Share Premium £'000	Accumulated Losses £'000	Capital Reserve £'000	Currency Translation Reserve £'000	Capital Redemption Reserve £'000	Special Distributable Reserve £'000	Total £'000	Minority Interest £'000	Total £'000
At 1 July 2007	29	154,329	(6,590)	43,487	(11,546)	1	51,291	231,001	6,059	237,060
Transfer to special distributable reserve	-	(154,329)	-	-	-	-	154,329	-	-	-
Issue of equity shares	1	7,634	-	-	-	-	-	7,635	-	7,635
Redemption of equity shares	-	-	-	-	-	-	(3,562)	(3,562)	-	(3,562)
Transfer to capital redemption reserve	-	-	-	-	-	3	(3)	-	-	-
Transfer to capital reserve	-	-	3,398	(3,398)	-	-	-	-	-	-
Issue Costs	-	(263)	-	-	-	-	-	(263)	-	(263)
	30	7,371	(3,192)	40,089	(11,546)	4	202,055	234,811	6,059	240,870
Share buy backs	(3)	-	-	-	-	-	(21,226)	(21,229)	-	(21,229)
Treasury share sale	2	265	-	-	-	-	20,040	20,307	-	20,307
Net movement in treasury shares	(1)	265	-	-	-	-	(1,186)	(922)	-	(922)
Profit for the period	-	-	(1,637)	29,749	-	-	-	28,112	5,980	34,092
Effect of translation of presentation currency	-	-	-	-	8,335	-	-	8,335	2,046	10,381
Issue of shares in subsidiary to minority interests	-	-	-	-	-	-	-	-	7,748	7,748
Minority interest acquired in Group combination	-	-	-	-	-	-	-	-	1,034	1,034
At 30 June 2008	29	7,636	(4,829)	69,838	(3,211)	4	200,869	270,336	22,867	293,203

The notes on pages 44 to 72 form an integral part of these financial statements.

## Consolidated Cash Flow Statement

For the year ended 30 June 2009

	Notes	2009	2008
		£'000	£'000
<b>Operating activities</b>			
(Loss)/profit for the year		(112,600)	34,092
Adjustments for:			
Interest and dividend income	2	(4,234)	(4,091)
Interest expense	3		3,780
Tax rebates/(payments)		99	(577)
Net derivative (gains)/losses	4	(10,699)	3,360
Net losses/(gains) on investments		111,046	(41,237)
Net losses on disposal of investments		5,104	-
Unrealised foreign currency gain		(4,656)	(3,371)
<b>Operating cash flows before changes in working capital</b>		<b>(6,131)</b>	<b>(8,044)</b>
Decrease/(increase) in receivables		1,502	(2,338)
Increase in payables		1,549	1,618
Net cash movement in derivative contracts		11,709	(1,980)
<b>Cash flows from operating activities</b>		<b>8,629</b>	<b>(10,744)</b>
<b>Investing activities</b>			
Purchase of investments		(86,046)	(141,571)
Net proceeds from sale of non-current financial assets		54,593	35,356
Interest received		1,607	2,915
Other income distributions from investments		3,056	1,176
Acquisition of subsidiary net of cash received		-	(50,355)
<b>Cash flows from investing activities</b>		<b>(26,790)</b>	<b>(152,479)</b>
<b>Financing activities</b>			
Proceeds on issue of equity shares		-	7,635
Equity shares buy back		(31,272)	(3,562)
Issue costs		(45)	(263)
Loans received		43,352	25,852
Loans paid		(7,847)	-
Interest paid		(7,635)	(1,619)
Issue of shares in subsidiary to minority interest		1,746	7,748
Acquisition of minority interest		(415)	-
Treasury purchases		-	(21,229)
Proceeds from treasury share sale		10,828	20,307
Cost of redemption of zero divided preference shares		(1,743)	(137)
Proceeds from issue of zero divided preference shares		11,720	-
Distributions to minority interest		(457)	-
<b>Cash flows from financing activities</b>		<b>18,232</b>	<b>34,732</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>71</b>	<b>(128,491)</b>
Cash and cash equivalents at beginning of year		13,789	132,177
Effects of exchange difference arising from cash and cash equivalents		4,002	10,103
<b>Cash and cash equivalents at end of the year</b>		<b>17,862</b>	<b>13,789</b>

The notes on pages 44 to 72 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

## For the Year Ended 30 June 2009

### 1. 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, 1994 (the “old law”) on 28 April 2005. The old law has now been superseded by the Companies (Guernsey) Law, 2008. The Company’s capital structure consists of two classes of shares, Equity Shares and Zero Dividend Preference Shares, both listed on the London Stock Exchange.

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

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

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”), 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.

(a) Standards, amendments and interpretations to published standards not yet effective and have not been early adopted by the Group

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

- Revised IFRS 3: Business combinations (effective for accounting periods beginning on or after 1 July 2009) incorporates the following changes that are likely to be relevant to the Group’s operations:
  - The definition of the business has been broadened, which is likely to result in more acquisitions being treated as business combinations;
  - Contingent considerations will be measured at fair value, with subsequent changes therein recognised in profit or loss;
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred;
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss;
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group’s 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group’s 2010 consolidated financial statements.

- Amended IAS 27: Consolidated and Separate Financial Statements (2008) require accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendment to IAS 27 which becomes mandatory for the Group’s 2010 consolidated financial statements are not expected to have a significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements *(Continued)*

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 7 (Amendment), Financial Instruments Disclosures (effective for accounting periods beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvement project published in March 2009. The amendment expands the disclosures required in respect of fair value measurements recognised in the statement of financial position/balance sheet. A three-level hierarchy has been introduced; the appropriate level for an instrument is determined on the basis of the lowest level input that is 'significant' to the fair value measurement.

The hierarchy for the fair value disclosures are as follows;

- Level 1: Comprises of financial instruments whose value are determined by quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Comprises of financial instruments whose values are determined by inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3: Comprises of financial instruments whose values are determined by inputs that are not based on observable market data (unobservable inputs).

The amendment also specifies enhanced liquidity risk disclosures for derivative and non-derivative financial liabilities. The Group will apply all the amendments from 1 July 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.

- IFRS 8: Operating segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and replaces IAS 14. As this is a disclosure standard it will not have any impact on the results or net assets of the Group.
- IAS 1 (Revised): Presentation of financial statements (effective for accounting periods beginning on or after 1 January 2009). The revised standard introduces the term total comprehensive income which represents 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comprehensive information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 July 2009 and it is likely that the Group will present solely a statement of comprehensive income.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective for accounting periods beginning on or after 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement', are examples of current assets and liabilities respectively. The Group will apply all the amendments from 1 July 2009. However, it is not expected to have an impact on the Group's financial statements.
- There are a number of minor amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors'; IAS 10, 'Events after the reporting period' and IAS 18, 'Revenue' (all effective for accounting periods beginning on or after 1 January 2009), which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analysed in detail. A number of interpretations have been issued that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods but are not relevant or are not expected to have a significant impact on the Group's financial statements and have therefore not been analysed in detail.

# Notes to the Consolidated Financial Statements *(Continued)*

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Preparation

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

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

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

### Basis of consolidation

#### Subsidiaries

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

#### Associates

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

#### Financial instruments

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

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

#### i) Financial assets

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

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

# 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 balance sheet at fair value. Acquisition costs are attributed to equity investments and related transaction costs are recognised immediately in the consolidated income statement within other expenses.

Investments in underlying funds are recorded at fair value as reported by the general partners of these funds. The underlying investments held by the funds are measured at fair value, which is based on the General Partners' estimate. In estimating the fair value of underlying investments the objective of the General Partners is to replicate the assumptions and estimates that parties in an arm's length transaction would make. In arriving at the estimated value of underlying investments, the General Partners consider market multiples, net assets, industry benchmarks, prices of recent transactions, negotiated sales prices, projected operational and financial results of the company and discounted cash flow valuations. The valuation policies used by many of the private equity general partners and sponsors in undertaking such valuations are generally in line with the recommendations of either the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) or standard industry practice. Changes in fair value are recognised in the consolidated income statement 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, valuations do not necessarily represent the amounts which may eventually be realised from sales or other disposals of investments. Values of unlisted investments may differ significantly from the values that would have been used had a ready market for these assets existed.

### b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise trade and other receivables. 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 remeasured at their fair value.

The Groups' derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the consolidated income statement within 'net/(losses) gains on investments'.

### d) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

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

### ii) Financial liabilities

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

# Notes to the Consolidated Financial Statements *(Continued)*

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a) Financial liabilities measured at amortised cost

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

### b) Derecognition of financial liabilities

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

### Zero dividend preference shares

Zero dividend preference shares ("ZDP Shares") are classified as a liability in the financial statements as the ZDP's have a maturity date of either 28 June 2013 or 31 December 2010 and receive a fixed redemption yield of 7% or 8.25% respectively. They are initially recognised at their capital entitlement being fair value less issuance costs. Subsequent to the initial recognition, ZDP shares are carried at amortised cost using the effective interest rate method. Increases in the carrying value of ZDP shares due to accrued but unpaid interest are recognised in the consolidated income statement and charged to the capital reserves.

### Cash and cash equivalents

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

### Costs incurred for the issuance of ordinary shares

Incremental external costs directly attributable to the equity transaction and costs associated with the establishment of the Company that would otherwise have been avoided are written off against share capital account.

### Interest

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

### Expenses

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

### Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. Management has determined that the Group operates in only one segment- Private Equity, based on the reports reviewed by the Board of Directors (BoD) that are used to make strategic decisions.

The Board of Director assesses the performance of the Group as a single segment and consequently additional segmental information as required by IAS 14 has not been separately disclosed in these financial statements.

### Foreign Exchange

#### Foreign currency transactions

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

# Notes to the Consolidated Financial Statements *(Continued)*

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Functional and presentation currency

The Board of Directors has resolved to that the financial statements of the Group are presented in Sterling. Assets and liabilities are translated from US Dollar, which is the Company's functional currency to Sterling at rates of exchange ruling at the balance sheet date. Income and expense items are translated at the average exchange rate for the year. All equity items other than the result for the current year are translated at historical rates. Resultant exchange differences are recognised directly in the Currency Translation Reserve.

### Taxation

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

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 subject to all the taxes relevant to commercial companies in Luxembourg.

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 flow through the company to J.P. Morgan Private Equity Limited, 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. These are valued in accordance with IPEVC valuation guidelines as set out in *financial assets policy* above. Judgement is required in order to determine the appropriate valuation methodology under these guidelines, and subsequently in determining the inputs into the valuation models used. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability discounts. Although the judgements are significant, the valuation guidelines are clear, well established and supported by a large part of the global private equity industry.

## Notes to the Consolidated Financial Statements *(Continued)*

### 2. INTEREST AND DIVIDEND INCOME

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

	2009 £'000	2008 £'000
Interest income from financial assets that are not at fair value through profit or loss:		
- Cash and cash equivalents	1,607	2,915
Interest and dividend income from financial assets at fair value through profit or loss:		
- Private equity investments	2,627	1,176
	<u>4,234</u>	<u>4,091</u>

### 3. INTEREST EXPENSE

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

	2009 £'000	2008 £'000
Interest expense from financial instruments that are not at fair value through profit or loss:		
- Financial liabilities at amortised cost	9,809	3,780

### 4. OTHER EXPENSES

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

	2009 £'000	2008 £'000
Legal and professional fees	1,311	599
Travel expenses	337	263
Retrocession fees	1,422	-
Director expenses	18	-
Bank charges	2	3
Sundry expenses	553	609
	<u>3,643</u>	<u>1,474</u>

### 5. (LOSSES)/GAINS FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2009 £'000	2008 £'000
Designated at fair value through profit or loss		
Private equity investments	(116,149)	40,061
Held for trading		
Derivative financial instruments	10,699	(3,360)
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss.	<u>(105,450)</u>	<u>36,701</u>

## Notes to the Consolidated Financial Statements *(Continued)*

### 6. 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 financial statements are not considered to be readily convertible to cash in full at the balance sheet date and therefore the movement in these fair values are treated as unrealised.

The Group has established a number of special purpose investment holding vehicles that are held purely for 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	66%	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

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

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

In the year, the Company incorporated JPEL TF Limited which is a limited partner in Terra Firma Deutsche Annington, L.P., a Guernsey limited partnership, and Iberian Acquisition Holdings LLC which is a limited partner in Alia Capital Fund ICV, a Dutch limited partnership.

On 28 September 2007, the Company incorporated Hunter Acquisition Limited which is a limited partner in HGX Private Equity Fund, LP, an English Partnership. The Company subscribed to 65.28% of the issued share capital in Hunter Acquisition Limited. During the year, the Company acquired an additional 1.13% interest in Hunter Acquisition Limited for €450,000 in cash, increasing its ownership from 65.28% to 66.42%. The carrying amount of Hunter Acquisition Limited on the date of the acquisition was £36,151,389. The Group recognised a decrease in non-controlling interest of £412,000.

The following summarises the effect of changes in the Group's ownership interest in Hunter Acquisition Limited.

	2009
	£'000
Group's ownership interest at beginning of the year	23,601
Effect of increase in Group's ownership interest	412
Share of comprehensive loss	(22,199)
Effect of translation difference	5,399
Group's ownership interest at end of the year	7,213

# Notes to the Consolidated Financial Statements (Continued)

## 6. INVESTMENTS (continued)

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

Investments	Historical cost of investments 30 June 2009 £'000	Market value of investments 30 June 2009 £'000	Historical cost of investments 30 June 2008 £'000	Market value of investments 30 June 2008 £'000
<b>Private Equity Investments</b>				
AIG Highstar Capital III Prism Fund, L.P.	12,512	11,122	6,023	5,345
Aksia Capital III L.P.	2,536	1,802	1,385	1,758
Alia Capital Fund I CV	2,434	2,360		
Alto Capital II	1,697	367	889	1,058
Alto I/ Development Capital I S.C.A.	4,713	1,394	4,261	7,639
Apollo International Real Estate Fund	-	341	-	863
Apollo Investment Fund V, LP	496	1,718	264	1,929
Apollo Real Estate Investment Fund IV, LP	577	816	477	1,032
Aqua International Partners, L.P.	930	-	768	2,909
Argan Capital Fund	4,729	3,879	4,172	6,800
Arlington Capital Partners II, LP	887	968	707	733
Arrow Path Fund II, L.P.	660	672	545	742
Arysta LifeScience Corporation	-	57	-	1,150
Avista Capital Partners (Offshore), L.P.	9,348	10,779	6,610	7,282
Bain Capital Fund VI, LP	78	63	64	71
Bear Stearns Global Turnaround Fund, L.P.	26,077	20,540	24,668	24,735
Bear Stearns Private Opportunity Ventures, LP	1,565	2,791	1,293	3,322
Black Diamond Capital Management	1,377	1,235	840	827
Blackstone Capital Partners IV, LP	415	2,191	244	1,814
Blackstone Real Estate Partners IV, LP	1,303	868	976	1,194
Candover 2001 Fund	96	963	-	1,617
Candover 2005 Fund	2,579	1,019	1,866	2,117
Clearwater Capital Partners Fund I, L.P.	5,216	2,672	4,688	3,984
Clearwater Capital Partners Opportunities Fund, L.P.	1,265	864	1,255	1,440
Colony Investors VI, LP	824	663	736	1,154
CPC Luxury Optical Investment LLC	1,695	1,155	1,256	1,570
CPC RD Investment LLC	1,784	1,562	1,474	2,238
Dolphin Communications Fund II, LP	397	240	294	273
Doughty Hanson & Co. Technology Fund	1,046	1,532	771	1,235
Esprit Capital I Fund	9,838	10,308	7,672	9,319
Freescale Semiconductor, Inc.	1,337	201	1,104	939
Gemini Israel III, LP	521	284	456	494
Global Buyout Fund, L.P.	6,293	6,957	3,030	3,898
Global Opportunistic Fund	12,001	18,879	10,053	17,899
Green Investors III, LP	380	89	312	159
Gridiron Capital Fund, L.P.	2,046	1,616	1,432	1,229
Guggenheim Aviation Offshore Investment Fund II, L.P.	3,173	3,173	3,849	3,849
Hupomone Capital Fund, L.P.	2,371	1,769	1,658	1,507
Hutton Collins Capital Partners II LP	3,488	2,573	2,508	2,954
Industry Ventures Acquisition Fund	544	335	449	279
Industry Ventures Fund IV, L.P.	2,282	2,012	1,611	1,755
Industry Ventures Fund V, L.P.	760	871	-	-
Leeds Equity Partners IV Co –Investment Fund A, LP	7,595	6,268	-	-
Leeds Equity Partners IV, LP	4,993	13,751	3,789	4,137
Leeds Equity Partners V, LP	1,100	788	-	-
Liberty Partners II, L.P.	11,887	14,184	9,361	10,029
Main Street Resources I, L.P.	1,245	2,436	1,383	2,710
Main Street Resources II, L.P.	1,363	1,709	844	1,030
Markstone Capital Partners, LP	1,782	1,836	1,296	1,637
Montagu III LP	1,984	1,699	1,583	1,511
Morning Street Partners, L.P.	938	1,264	799	1,116
Norvestor IV L.P.	-	-	925	2,672
Norvestor V L.P.	-	-	416	401
OCM European Principal Opportunities Fund, L.P.	-	-	3,493	4,959

# Notes to the Consolidated Financial Statements (Continued)

## 6. INVESTMENTS (continued)

Investments	Historical cost of investments 30 June 2009 £'000	Market value of investments 30 June 2009 £'000	Historical cost of investments 30 June 2008 £'000	Market value of investments 30 June 2008 £'000
<b>Private Equity Investments</b>				
Olympus Capital Asia III (Offshore), L.P.	4,581	5,803	2,682	1,942
Omega Fund III, L.P.	6,485	7,250	5,536	6,687
Omega Fund IV, L.P.	1,508	10,281		
Ossian Retail Group	1,183	-	977	-
Oxford Bioscience Partners IV, LP	848	748	700	764
Private Equity Access Fund II Ltd	1,383	5,004	1,142	6,079
Providence Equity Partners IV, LP	434	1,672	520	2,043
Quadrangle Capital Partners, LP	692	1,162	573	1,332
Realza Capital Fondo, FCR	400	346	642	670
SCAN Geophysical AS	586	-	484	1,327
Special Situations Realty Partners III, L.P.	-	-		
Starwood U.S. Opportunity Fund VI-D, L.P.	2,374	5	1,961	1,036
Strategic Value Global Opportunities Feeder Fund I-A, LP	2,933	2,669	1,363	1,266
Strategic Value Global Opportunities Master Fund, LP	2,533	3,183	2,092	2,747
SVE Star Ventures	836	553	628	602
Terra Firma Deutsche Annington L.P.	873	1,099	667	1,191
Terra Firma Deutsche Annington L.P. (JPEL TF Limited)	7,746	24,034	-	-
Thomas H. Lee Equity Fund V, L.P.	1,407	1,470	1,169	1,777
Trumpet Feeder Ltd	1,707	1,866	691	1,094
Warburg Pincus Private Equity VIII, LP	1,483	2,519	1,265	2,616
Wellington Partners Ventures II GMBH & CO.KG (B)	1,346	638	1,112	1,180
Wellington Partners Ventures III Life Science Fund L.P.	637	452	297	258
<b>Total investments at Company level</b>	<b>207,130</b>	<b>238,389</b>	<b>149,051</b>	<b>195,951</b>
<b>Additional private equity investments held at subsidiary level</b>				
HGX Private Equity Fund L.P.	24,899	10,512	20,168	35,376
BoS Mezzanine Partners Fund, L.P.	82,935	62,273	63,330	72,771
ABN Amro Capital Australia Fund II	1,992	181	1,445	899
Aisling Capital Partners II, LP	1,042	810	755	750
Australasian Media and Communications Fund 2 C	628	537	519	517
Blackstone Capital Partners V, LP	3,760	2,412	2,574	2,558
Carlyle Asia Partners II, LP	2,499	1,949	1,887	1,875
Carlyle/Riverstone Global Energy and Power Fund III	2,751	2,959	2,149	2,135
Carlyle/Riverstone Renewable Energy Infrastructure Fund I	2,828	2,122	1,442	1,433
Catalyst Buyout fund 1A	4,184	2,102	3,372	3,373
Catalyst Buyout fund 1B	4,184	2,102	3,372	3,373
Ceram Polymerick	282	-	233	-
Ceram Polymerick CN	175	51	144	144
Charterhouse Capital Partners VIII	3,313	1,464	2,730	2,750
GBS3 BioVentures	1,508	1,160	1,071	1,097
HG Capital V, L.P.	1,890	1,201	1,333	1,428
Industry Ventures Fund IV, L.P.	2,714	2,230	1,958	1,947
Industry Ventures Acquisition Fund, L.P.	879	864	726	720
Macquarie Wholesale Co-investment Fund	11,159	6,614	9,219	8,263
Macquarie European Infrastructure Fund	7,312	4,798	6,261	6,106
Macquarie Global Infrastructure Fund A	11	3	9	7
Macquarie Global Infrastructure Fund B	13	5	11	8
Macquarie Treasury Fund	1,089	1,068	372	372
Macquarie Alternative Investment Trust I	6,985	3,960	5,701	5,191
Macquarie Alternative Investment Trust II	7,012	7,803	8,261	11,165
Macquarie Alternative Investment Trust III	7,948	5,014	6,251	5,699
PCG Special Situations Partnership	4,660	3,485	4,133	4,101
Quadrant Private Equity No 1A	975	828	-	-
Quadrant Private Equity No 1B	975	828	-	-
Quadrant Private Equity No 1, LP	2,549	1,890	-	-
Quadrant Private Equity No 1	-	-	3,566	3,950
Starfish Ventures Pre-Seed	343	222	227	199
<b>Total investments as reported by Group</b>	<b>400,626</b>	<b>369,836</b>	<b>302,269</b>	<b>374,159</b>

## Notes to the Consolidated Financial Statements *(Continued)*

### 6. INVESTMENTS (continued)

The Group has committed to invest in certain private equity funds and investments. Such commitments are payable upon demand at the request of the Fund's administrator or General Partner. As at 30 June 2009, the Group had outstanding commitments of £96,937,000 (2008: £100,979,126) which may be called by the underlying limited partnerships. The outstanding commitments amount includes the minority interests' commitments and the Company's outstanding commitments in the amount of £93,941,000.

### 7. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

#### 2009

Currency sold	Currency amount sold	Currency Bought	Currency amount bought	Settlement date	Fair value £'000
AU Dollar	13,000,000	US Dollar	8,629,400	9 October 2009	(1,094)
US Dollar	8,658,000	AU Dollar	13,000,000	9 October 2009	1,076
Euro	11,200,000	US Dollar	14,425,600	23 October 2009	(776)
US Dollar	14,803,040	Euro	11,200,000	23 October 2009	547
US Dollar	8,580,000	AU Dollar	13,000,000	9 April 2010	1,038
AU Dollar	13,000,000	US Dollar	8,508,500	9 April 2010	(1,081)
					(289)

## Notes to the Consolidated Financial Statements *(Continued)*

### 7. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

**2008**

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

### 8. LOANS

	2009 £'000	2008 £'000
Bank of Scotland	25,443	26,009
Fortress Credit Corp	59,626	13,898
National Australia Bank	16,904	19,968
<b>Total</b>	<b>101,973</b>	<b>59,875</b>

The Group has entered into a Revolving Loan Facility with the Bank of Scotland. The facility is for €35,000,000 and may be drawn down in Euros, Sterling or US Dollars bearing interest at a rate of LIBOR, or if the loan is in Euro EURIBOR, plus 1.75%. The maturity date of the facility is 2 May 2012. The loan is secured over the Group's interest in the BoS Mezzanine Partners Fund, LP and its rights under the related limited partnership agreement. The fair value of the Group's share of net asset values BoS Mezzanine Partners Fund, LP at the year end was £62,272,718 (2008: £72,771,000).

The Group has entered into a loan facility agreement with Fortress Credit Corp. The facility is for US\$100,000,000 and bears interest of US\$ LIBOR + 500 bps on drawn amounts (with a LIBOR floor of 250 bps), and 50 bps on undrawn amounts. The facility had an original term of four years and expires on 8 May 2012. The facility may be repaid in part after 8 May 2010 so long as the facility has \$55 million drawn at all times.

The loan with Fortress is secured over the entire issued share capital of the following subsidiaries;

	Net asset of subsidiary £'000
Hunter Acquisition Limited	7,213
BSPEL Australia Limited	40,388
BSPEL Mezzanine Funding Limited	29,492

The Group's subsidiary MPCT ("the Trust") has entered into a cash advance facility with National Australia Bank, with a limit of AU\$45,000,000 (2008: AU\$60,000,000) 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.

## Notes to the Consolidated Financial Statements *(Continued)*

### 9. ZERO DIVIDEND PREFERENCE SHARES

The Company has issued two classes of Zero Dividend Preference Shares (ZDP Shares); 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.

During the period, the Company issued a new class of ZDP shares, the 2015 Zero Dividend Preference Shares. 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, even if the accrued capital entitlement of the ZDP Shares will not be met in full.

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

#### 2013 ZDP Shares

	Date	Number of shares	Price
<b>Balance as at 1 July 2008</b>		59,196,837	
Redemption of ZDP Shares	6 August 2008	(1,233,836)	51.31 pence/share
Treasury issue	2 September 2008	1,508,658	52.50 pence/share
Tap issue	2 September 2008	5,947,165	52.50 pence/share
Tender offer	4 February 2009	(2,051,508)	53.17 pence/share
<b>Balance as at 30 June 2009</b>		<u>63,367,316</u>	
<b>Issue Date</b>	28 June 2005		
<b>Valuation date</b>	30 June 2009		
<b>Days from issue</b>	1,463		
<b>Daily compound rate</b>	0.0193299%		
<b>Initial Price</b>	41.50 pence		
<b>Price at valuation</b>	55.06 pence		

#### 2015 ZDP Shares

	Date	Number of shares	Price
New share Issue	16 December 2008	14,625,650	50.00 pence/share
Tap issue	17 March 2009	1,462,564	51.25 pence/share
<b>Balance as at 30 June 2009</b>		<u>16,088,214</u>	
<b>Issue Date</b>	19 December 2008		
<b>Valuation date</b>	30 June 2009		
<b>Days from issue</b>	193		
<b>Daily compound rate</b>	0.0226913%		
<b>Initial Price</b>	48.75 pence		
<b>Price at valuation</b>	50.93 pence		

## Notes to the Consolidated Financial Statements *(Continued)*

### 10. ISSUED SHARE CAPITAL AND RESERVES

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

The Group does not have any externally imposed capital requirements.

#### Authorised share capital

The authorised share capital of the company is £100 divided into 100 founder shares of £1 each, and an unlimited number of redeemable participating preference shares of no par value each, which may be issued and designated as US\$ Equity Shares, Sterling Equity Shares, Euro Equity Shares, ZDP shares 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.

#### Issued share capital

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

	Date	Number of shares	Price
<b>Balance as at 1 July 2008</b>		292,650,911	
Redemption facility	6 August 2008	(18,776,713)	\$1.85
Treasury issue	23 September 2008	9,606,918	\$1.82
Redemption facility	4 February 2009	(9,221,277)	\$1.71
<b>Balance as at 30 June 2009</b>		<u>274,259,839</u>	

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

#### 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 (with 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 amount to 19,789,304 (2008: 1,398,232) US\$ Equity Shares and 2,051,508 (2008: 274,822) 2013 ZDP Shares.

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Changes in Guernsey Companies Law

In July 2008, The Companies (Guernsey) Law, 2008 (The Law) became effective and has been adopted by the Company in preparing the Group accounts for the year then ended.

The Law has abolished the capital maintenance requirement and consequently introduced a solvency based approach to share capital (the Solvency test). Company directors are now required to certify that the company will be solvent after a distribution has been made before making the distribution. For this purpose distributions may include dividends, reductions in capital, share buybacks and redemptions. The Company is no longer required to maintain a capital redemption reserve account, a share premium account or a special distributable reserve account out of share premium.

Consequently the Share Premium Account, Special Distributable Reserves and Capital Redemption Reserve balances have been transferred to the Share Capital Account.

The table below presents a summary of issued share capital and reserves movement in the year;

<b>Issued share capital and Reserves</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Share capital	188,049	29
Share premium	-	7,636
Capital redemption reserve	-	4
Special reserve	-	200,869
Accumulated losses	(9,575)	(4,829)
Capital reserve	(20,308)	69,838
Currency translation reserve	64,388	(3,211)
<b>Total attributable to shareholders of the Company</b>	<b>222,552</b>	<b>270,336</b>
Minority Interest	12,028	22,867
<b>Total</b>	<b>234,580</b>	<b>293,203</b>

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

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

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

## Notes to the Consolidated Financial Statements *(Continued)*

### 11. MATERIAL AGREEMENTS

The Manager, Bear Stearns Asset Management Inc. ("BSAM Inc.") is entitled to a base management fee, payable monthly in arrears of 1.00 per cent. per annum of the Company's total assets. The management fee due payable at the end of the year was £1,156,489 (2008: £508,491). The Manager is also entitled to a performance fee if the aggregate Net Asset Value of the Equity Shares and the ZDP Shares at the end of the performance period exceeds (i) the aggregate Net Assets at the start of the performance period by more than 8 per cent and (ii) the highest previously recorded aggregate Net Asset Value of Equity and ZDP shares as at end of performance period of which performance fee was last paid.

The amount of such performance fee will be 7.5 per cent of the total increase in aggregate Net Asset Value above the performance hurdle. The performance fee due payable at the end of the year was £ Nil (2008: £1,328,670).

The Administrator is entitled to an annual fee in respect of administration and company secretarial services calculated on the Total Assets of the Company of 0.125 per cent. on the first \$100 million, 0.1 per cent on the next \$50 million, 0.075 per cent. on the next \$50 million and 0.05 per cent on the balance subject to a minimum of \$125,000. The fee is payable monthly in arrears. The administration fee due payable at the end of the year was £81,300 (2008: £81,724).

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.

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 the Manager and J.P. Morgan Private Equity Limited ("JPEL") in accordance with the following order of priority:

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

During the year, the Company paid a one-off distribution fees to its distribution agents amounting to £1,422,227. These fees are included under 'other fees' in the Income Statement.

## Notes to the Consolidated Financial Statements *(Continued)*

### 12. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The basic and diluted (loss)/earnings per share is based on the net (loss)/gain for the year of (£94,892,000) (2008: gain £28,112,000). The weighted average number of Equity Shares in issue during the year for the Group was 279,458,663 (2008: 282,596,000).

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	<b>Note</b>	<b>2009</b>
Issued shares at 30 June 2008	9	292,650
Effect of shares redeemed in 6 August 2008	9	(16,873)
Effect of shares issued in 23 September 2008	9	7,370
Effect of shares redeemed in 4 February 2009	9	(3,689)
Weighted average number of ordinary shares at 30 June 2009		279,458

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	<b>Note</b>	<b>2008</b>
Issued shares at 30 June 2007	9	290,026
Effect of shares redeemed in August 2007	9	(438)
Effect of shares redeemed in January 2008	9	(10,833)
Effect of shares issued in April 2008	9	3,338
Effect of shares issued in May 2008	9	503
Weighted average number of ordinary shares at 30 June 2008		282,596

The Net Asset Value per share is based on the Net Asset Value for the year of £222,552,000 (2008: £270,336,000). The total number of Equity Shares in issue during the year for the Group was 274,259,720 (2008: 292,650,909).

## Notes to the Consolidated Financial Statements *(Continued)*

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

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

<b>Assets</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Financial assets designated at fair value through profit or loss upon initial recognition:		
- Equity investments	369,836	374,159
Loans and receivables	18,414	15,881
<b>Total financial assets</b>	<b>388,250</b>	<b>390,040</b>
<b>Liabilities</b>		
Financial liabilities held for trading- derivatives	(289)	(255)
Financial liabilities measured at amortised cost	(153,381)	(96,582)
<b>Total financial liabilities</b>	<b>(153,670)</b>	<b>(96,837)</b>

#### Market risk

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

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

The Manager works to mitigate risk by building a diversified portfolio, focusing on achieving a balance across managers, investment styles, industrial sectors, geographical focus and investment styles. The Manager will also seek to invest in funds created during different vintage years to dampen systemic economic conditions that may impact the private equity market in any given year. Details of the nature of the Group's investment portfolio at the balance sheet date are disclosed in the Manager's report on page 16, under Investment Strategy.

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

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

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Interest rate risk

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

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

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

As at 30 June 2009, all of the Company's direct corporate borrowings were drawn from its US\$100 million secured credit facility. This facility has been fully drawn down in the year. This capital is floating rate debt, and the interest expenses incurred from these borrowings are based on the US London Interbank Offer Rate (LIBOR).

The Group has non-recourse indebtedness of £25,443,000 (2008: £26,009,000) and AU\$ 34,500,000 (2008: AU\$ 41,500,000) through its BSPEL/MIGDAL Mezzanine Limited and BSPEL Australia Limited subsidiaries which have been consolidated. Both credit facilities are available in multiple currencies and therefore borrow funds that are tied to US LIBOR, GBP LIBOR, EURIBOR, and the Australian Bank Bill Swap Rate.

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

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

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

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

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Interest rate risk (continued)

##### 2009

	Less than 1 month £'000	1- 3 Months £'000	3 months to 1 year £'000	Fixed interest rate £'000	Non interest bearing £'000	Total £'000
<b>Assets</b>						
<i>Designated at fair value through profit or loss upon initial derecognition:</i>						
Equities					369,836	369,836
<i>Loans and receivables</i>						
Cash and cash equivalents	17,862	-	-	-	-	17,862
Other receivables	-	-	-	-	552	552
<b>Total assets</b>	17,862	-	-	-	370,388	388,250
<b>Liabilities</b>						
<i>Designated at fair value through profit or loss – held for trading</i>						
Derivative financial instruments	(289)	-	-	-	-	(289)
<i>Financial liabilities measured at amortised cost</i>						
Payables and accruals	-	-	-	-	(8,323)	(8,323)
Loans	(101,973)	-	-	-	-	(101,973)
ZDP shares	-	-	-	(43,085)	-	(43,085)
<b>Total liabilities</b>	(102,262)	-	-	(43,085)	(8,323)	(153,670)
<b>Total interest sensitivity gap</b>	(84,400)	-	-			

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Interest rate risk (continued)

#### 2008

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

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Interest rate risk (continued)

An increase in 100 basis points in interest rates as at the reporting date would have decreased shareholders equity by £844,000 (2008: £463,000). A decrease of 100 basis points would have had an equal but opposite effect.

The Manager believes that the sensitivity analysis described above may not be indicative of the Group's aggregate interest rate exposure, as the Manager can only provide a sensitivity analysis based on its own consolidated balance sheet. The Manager cannot fully ascertain the overall exposure of each underlying limited partnership and their respective portfolio companies. Moreover, the average outstanding loan and cash balances for the fiscal year ending 30 June 2010 may differ materially from the fiscal year ending 30 June 2009, which would impact the results of the sensitivity analysis.

#### Currency risk

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of the Company's assets and liabilities, the Net Asset Value and the market price of the Equity Shares. As at 30 June 2009, the Company's functional currency is the US Dollar. As a result, the investments that are carried as assets in its financial statements will be stated in US Dollars although it maintains investments in Euros, Sterling, Australian Dollars, and other currencies, and may invest in financial instruments and enter into transactions denominated in currencies other than US Dollars.

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

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

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

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

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

#### Currency

	Group	
	2009	2008
Euro	46%	40%
Sterling pound	(12%)	(9%)
Australian Dollar	7%	11%
Yen	-	-
Norwegian Krona	-	-

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Currency risk (continued)

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

#### 2009

	Financial assets £'000	Financial liabilities £'000	Forward FX contracts £'000	Net exposure £'000
Euro	135,775	(28,623)	-	107,152
Sterling pound	15,122	(43,085)	-	(27,963)
Australian Dollar	34,514	(17,121)	(289)	17,104
Yen	91	-	-	91
Norwegian Krona	-	-	-	-

#### 2008

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

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

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

	2009 £'000	2008 £'000
Euro	5,358	5,807
Sterling pound	(1,398)	(1,347)
Australian Dollar	855	1,674
Yen	5	57
Norwegian Krona	-	66
<b>Total</b>	<b>4,820</b>	<b>6,257</b>

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

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Other price risk

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

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

The Group also has exposure to assets that are publicly traded on various equity markets. These represent 5.9% (2008: 6.9%) of the Group's portfolio value as at 30 June 2009. Under IFRS, the Company is required to value investments in traded securities at their fair value at the end of each accounting period, which could lead to significant changes in the Net Asset Values and results of operations that the Company reports from quarter to quarter. The Manager believes these assets will continue to make up a minority position in the portfolio.

A 5% increase in the value of the investments as at 30 June 2009 would have increased the Group's equity by £18,491,800. 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 balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short term to maturity.

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

	Group	
	2009 £'000	2008 £'000
Investments in private equity instruments	369,836	374,159
Cash and cash equivalents	17,862	13,789
Receivables	552	2,092
<b>Total</b>	<b>388,250</b>	<b>390,040</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 Manager monitors 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 Manager will move the cash holdings to another bank.

Substantially all of the assets of the Group are held by HSBC Private Bank (CI) Ltd and Bond Street Custodians Limited. 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.

## Notes to the Consolidated Financial Statements *(Continued)*

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

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

#### Liquidity risk

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

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

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

The Group has entered into a US\$ 100,000,000 revolving loan facility agreement with Fortress Credit Corp. for up to four years which will provide the Group with both short-term and long-term liquidity. Per the credit agreement, the Group and the lender monitor the loan covenants on a quarterly basis. As at 30 June 2009, the Group was in compliance with all such covenants.

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

The investment commitments presented in note 5 represent commitments to 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 balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

#### 2009

<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	No stated Maturity £'000
Total gross commitments	-	465,588	-	-	-	-	465,588
Less: funded commitments	-	368,651	-	-	-	-	368,651
Net unfunded commitments	-	96,937					96,937
Payables and accruals	8,323	8,323	4,060	-	4,263	-	-
Net settled derivatives	289	289	-	-	289	-	-
Loans	101,973	103,298	-	-	-	103,298	-
ZDP shares	43,085	60,303	-	-	-	60,303	-
	153,670	269,150	4,060	-	4,552	146,383	96,937

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Liquidity risk (continued)

**2008**

<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	No stated Maturity £'000
Total gross commitments	-	452,306	-	-	-	-	452,306
Less: funded commitments	-	335,461	-	-	-	-	335,461
Net unfunded commitments	-	116,845					116,845
Accrued expenses	6,332	6,332	6,332	-	-	-	-
Net settled derivatives	255	255	228	27	-	-	-
Loans	56,875	61,126	-	-	-	61,126	-
ZDP shares	30,375	46,258	-	-	-	46,258	-
	93,837	230,816	6,560	27	-	107,384	116,845

#### Other risks

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

##### (a) Valuation risk

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

##### (b) Reliance on Manager

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

##### (c) Political and /or regulatory risk

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

#### Fair values

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

## Notes to the Consolidated Financial Statements *(Continued)*

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

#### Fair values (continued)

view than that held by the private equity manager; and (iii) the Manager may recommend that the Group make an upward adjustment to the valuation of a fund interest in the Company Portfolio which has not been made or proposed by the private equity manager if the Manager receives relevant information that has occurred subsequent to the issuance of the general partner valuation, such as in cases of announcements of the pending public offering or sale of a portfolio company.

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

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

### 14. RELATED PARTY TRANSACTIONS

Mr. Duncan and Mr. Getschow are both senior executives of Bear Stearns Asset Management Inc., the Manager 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 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.

### 15. POST BALANCE SHEET EVENTS

#### Share issues

On 16 July 2009 the Company successfully undertook a fundraising of US\$36,926,479 satisfied by issuing 36,926,479 new US\$ Equity Shares pursuant to an Open Offer made to shareholders at an issue price of US\$1.00 per share.

On 17 July 2009 the Company also issued 3,550,000 US\$ Equity Shares by a tap placing at a price of US\$1.00 per share.

On 31 July 2009, the Company issued 12,812,050 US\$ Equity Shares by a tap placing at a price of US\$1.00 per share.

On 7 August 2009, the Company issued 6,234,583 US\$ Equity Shares by a tap placing at a price of US\$1.00 per share.

On 12 August 2009, the Company issued 15,703,886 US\$ Equity Shares at price of US\$1.00 per share. 12,760,580 US\$ Equity Shares have been issued under a tap issue placing and 2,943,306 US\$ Equity Shares have been issued out of treasury.

On 28 August 2009, the Company issued 3,144,965 US\$ Equity Shares at a price of US\$1.00 per share. 1,276,070 US\$ Equity Shares have been issued under a tap issue placing and 1,868,895 US\$ Equity Shares have been issued out of treasury.

## Notes to the Consolidated Financial Statements *(Continued)*

### 15. POST BALANCE SHEET EVENTS (continued)

#### Share issues (continued)

On 24 September 2009, the Company issued 15,104,710 US\$ Equity Shares at a price of US\$1.00 per share. 127,607 US\$ Equity Shares have been issued under a tap issue placing and 14,977,103 US\$ Equity Shares have been issued out of treasury.

Immediately following the issue, the Company's issued share capital on 24 September 2009 consists of 367,736,512 shares of no par value (excluding treasury shares) each classified as US\$ equity shares, 63,367,316 shares of no par value (excluding treasury shares) each classified as 2013 zero dividend preference shares and 16,088,214 shares of no par value (excluding treasury shares) each classified as 2015 zero dividend preference shares.

As at that date, the Company holds zero US\$ Equity Shares of no par value and 2,051,508 "2013" Zero Dividend Preference shares of no par value in Treasury.

#### Issue of shareholder warrants

On 18 August 2009, 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.

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

#### Date Subscription Notice received by the Company (inclusive)

#### Relevant Subscription Price

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)

## Notes to the Consolidated Financial Statements *(Continued)*

### 16. 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>Assets</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Financial assets designated at fair value through profit or loss upon initial recognition:		
- Equity investments	315,482	307,855
Loans and receivables	17,880	13,052
<b>Total financial assets</b>	<b>333,362</b>	<b>320,907</b>
<b>Liabilities</b>		
Financial liabilities held for trading- derivatives	-	27
Financial liabilities measured at amortised cost	110,817	48,505
<b>Total financial liabilities</b>	<b>110,817</b>	<b>48,532</b>
<b>Net Assets</b>	<b>222,545</b>	<b>272,375</b>
<b>No. of shares in issue</b>	<b>274,259</b>	<b>292,650</b>
<b>NAV per equity share</b>	<b>0.81</b>	<b>0.93</b>

**DIRECTORS:**

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

**MANAGER**  
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