

Annual Report and  
Financial Statements  
for the year ended 30 June 2013

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# Financial Summary (Company Information)

30 June 2013

## US\$ Equity Shares

NAV per Share	\$1.11
Share Price	\$0.73
Shares in Issuance (excluding shares held in treasury)	346.4m

## 2015 ZDP Shares

NAV per Share <sup>(1)</sup>	71.60p
Share Price	79.38p
Shares in Issuance (excluding shares held in treasury)	67.0m

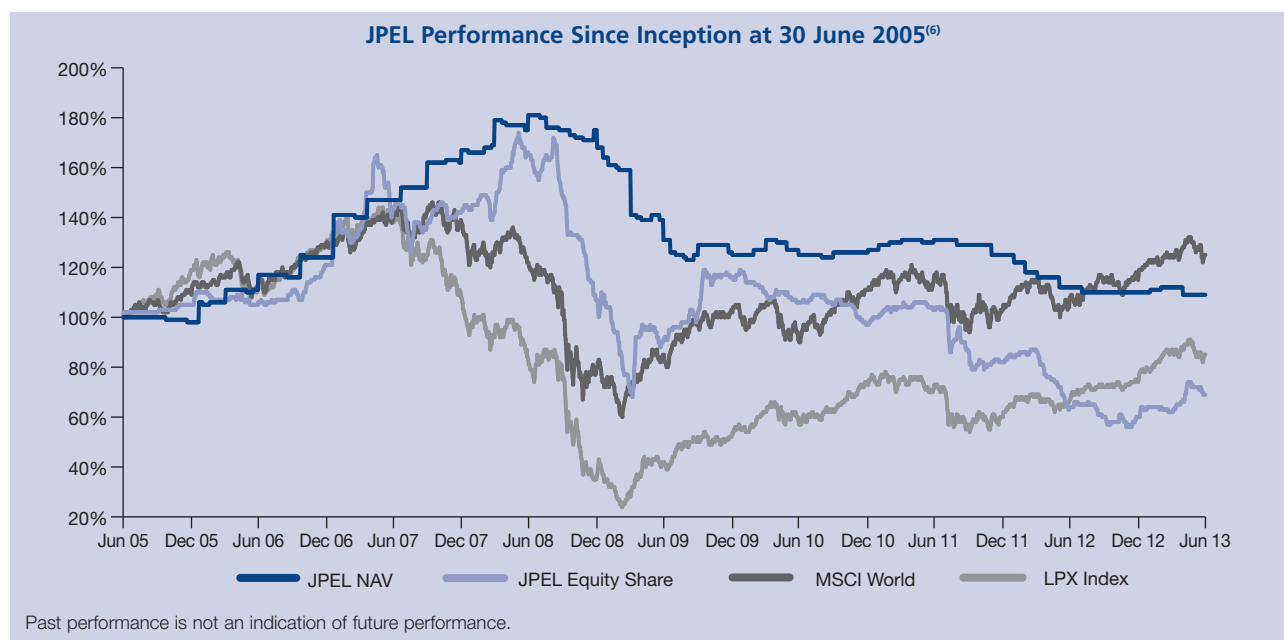
## 2017 ZDP Shares

NAV per Share <sup>(1)</sup>	75.25p
Share Price	87.50p
Shares in Issuance (excluding shares held in treasury)	30.4m

## Statement of Financial Position (extract)

Investments at Fair Value	\$533.9m
Bank Deposits	\$13.0m
Other Assets <sup>(2)</sup>	\$1.5m
Credit Facility <sup>(3)</sup>	(\$55.3m)
Other Liabilities <sup>(4)</sup>	(\$2.4m)
Zero Dividend Preference Shares	(\$107.9m)
<b>US\$ Equity Net Asset Value<sup>(5)</sup></b>	<b>\$382.9m</b>

## PERFORMANCE AS AT 30 JUNE 2013



<sup>(1)</sup> Throughout the document, the term Net Asset Value per share or "NAV per Share" for each of JPEL's two classes of Zero Dividend Preference Shares (2015 ZDP Shares and 2017 ZDP Shares) refers to the carrying value of the ZDP shares as at 30 June 2013. ZDP shareholders are entitled to a redemption amount that is increased daily at such a daily compound rate as would give a final entitlement as referenced in Note 15 to the Financial Statements on pages 34 and 68.

<sup>(2)</sup> Includes accrued interest income and derivative assets.

<sup>(3)</sup> On 7 March 2011, JPEL entered into a multi-currency credit facility in the amount of US\$150 million with Lloyds Bank.

<sup>(4)</sup> Includes fee accruals and other payables.

<sup>(5)</sup> Information presented as non-consolidated. The Net Asset Value represents the capital of the Company which includes the Net Asset Value of the ZDP shares as well as the Net Asset Value of the US\$ Equity Shares. Numbers may not sum due to rounding.

<sup>(6)</sup> Source: Managers, Bloomberg as at 30 June 2013, JPEL NAV data as at 30 June 2013, released via the London Stock exchange on 12 August 2013. LPX<sup>®</sup> Composite performance shown is indexed to JPEL's initial trade price of \$1.07 on 30 June 2005. The index is well diversified across regions and LPE investment styles and represents the development of all LPE companies covered by LPX<sup>®</sup> that fulfill certain liquidity constraints. The LPX<sup>®</sup> Composite is a global listed Private Equity ("LPE") index with a broad number of constituents.

# Historical Performance

**JPEL US\$ Equity NAV and Share Price Development through 30 June 2013<sup>(1)</sup> (Since Inception)**



Past performance is not an indication of future performance.

**2015 JPEL ZDP NAV and Share Price Development through 30 June 2013<sup>(2)</sup> (Since Inception)**

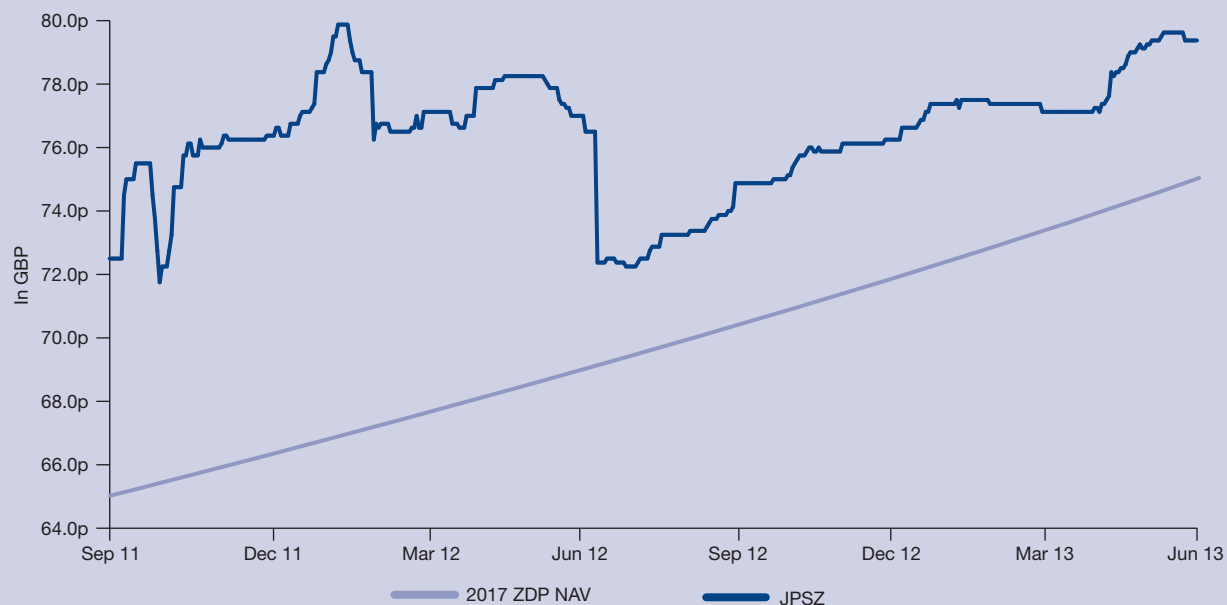


Past performance is not an indication of future performance.

<sup>(1)</sup> Source: Bloomberg, Managers. As at 30 June 2013.

<sup>(2)</sup> Source: Bloomberg, Managers. As at 30 June 2013.

**2017 JPEL ZDP NAV and Share Price Development through 30 June 2013<sup>(1)</sup> (Since Inception)**



Past performance is not an indication of future performance.

<sup>(1)</sup> Source: Bloomberg, Managers. As at 30 June 2013.



# Overview & Strategy

## OVERVIEW

J.P. Morgan Private Equity Limited (“JPEL” or the “Company”) is a Guernsey registered and incorporated closed ended investment company that trades on the London Stock Exchange (LSE: JPEL, JPZZ, JPSZ, JPWW). The Company is designed primarily to invest in the global private equity market. The fair value of the Company’s total assets as at 30 June 2013 was \$548.5 million.

JPEL held its initial public offering on 30 June 2005 under the name “Bear Stearns Private Equity Limited”. The Company currently has three classes of shares: US\$ Equity Shares, 2015 Zero Dividend Preference Shares (“2015 ZDP Shares”) and 2017 Zero Dividend Preference Shares (“2017 ZDP Shares”). At 30 June 2013, 2015 ZDP Shares made up 15% of total capital, 2017 ZDP Shares made up 7% of total capital and US\$ Equity Shares made up the remaining 78%. The Company’s 2013 ZDP Shares were retired on 29 April 2013.

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

JPEL is managed by Bear Stearns Asset Management Inc. (“BSAM Inc.”), JPMorgan Asset Management (UK) Limited (“JPMAM UK”) and JF International Management Inc.

(“JFIMI”) (together, the “Managers”), all wholly-owned subsidiaries of JPMorgan Chase & Co. Following the acquisition of The Bear Stearns Companies Inc. by JPMorgan Chase & Co., the investment management team within BSAM Inc. that has managed the Company since its inception joined J.P. Morgan Asset Management. The Company has entered into a management agreement with the Managers to invest the assets of the Company on a discretionary basis, subject to the overall supervision of the Board of Directors (the “Directors”), a majority of whom are independent Directors of the Company. The Directors have overall responsibility for the Company’s investment policy and the Company’s activities.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$2 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity.

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

## INVESTMENT STRATEGY

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

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

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

# Investment Policy

## ASSET ALLOCATION

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

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

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

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

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

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

## RISK DIVERSIFICATION

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

## LEVERAGE

The Company has the ability to borrow up to 30% of its Total Assets subject to and in accordance with the limitations and conditions in its Articles. As part of its leverage policy, the Company may borrow for short-term or temporary purposes as is necessary for settlement of transactions, to facilitate the operation of the over-commitment policy or to meet ongoing expenses. The Directors and the Managers will not incur any short-term borrowings to facilitate any tender or redemption of Shares unless such borrowings have a repayment period of 180 days or less. The Company is indirectly exposed to borrowings to the extent that subsidiaries and underlying funds in its portfolio are themselves leveraged.

# Chairman's Statement

**During the twelve month period ending 30 June 2013, the Board announced and began to implement a plan of action to reduce the overall debt level, lower the cost of capital and provide additional liquidity for US\$ Equity shareholders.**

Over the course of the year, the Board and the Managers have taken several key steps which we believe have fortified the Company's statement of financial position. As discussed in last year's Chairman's Statement, the central goal for this fiscal year was to improve the Company's capital structure. It is our belief that it was necessary to prioritize the Company's leverage ratios and cost structure, rather than deploying capital in new investment opportunities. Among other things, this entailed retiring JPEL's 2013 ZDP Shares (through a combination of JPEL's less expensive bank facility and cash on hand) and aggressively paying down debt through the proactive sale of assets and from the positive net distribution activity during the year. In addition, the company returned capital to shareholders via a tender and share buybacks. JPEL only allocated \$11.6 million to new investments.

I am pleased to announce that JPEL has made significant progress in reducing overall leverage. This will be discussed in more detail later in the Chairman's statement, but I would like to highlight the following:

- Total indebtedness was reduced by approximately \$79 million and, in addition, JPEL returned \$21.7 million to shareholders.
- JPEL's total leverage ratio decreased from 39% to below 30% during the six months from 31 December 2012 to 30 June 2013.<sup>(1)</sup>
- Annualized interest expense on JPEL's total debt obligations was reduced by approximately 33%.
- JPEL's mature private equity portfolio generated significant net cash flow.
  - Excluding asset sales, the company received approximately \$3.74 of distributions for every \$1.00 of capital calls, or approximately \$75 million of net distributions.
- JPEL's unfunded obligations were reduced from \$99.7 million to \$79 million (14.7% of private equity value at 30 June 2013) representing a decrease of over 20%.
- During fiscal year 2013, JPEL repurchased over 33.9 million US\$ Equity Shares, or approximately 9.8% of the weighted average number of US\$ Equity Shares outstanding at 30 June 2013.
  - JPEL returned \$20 million to shareholders through a coordinated market repurchase in November 2012.

- Subsequent to the period, JPEL's largest investment Deutsche Annington Immobilien Group, representing 11% of JPEL's private equity value, was listed on the Frankfurt Stock Exchange.

JPEL's US\$ Equity Shares have reacted positively to the initiatives implemented over the last twelve months. Specifically, JPEL's US\$ Equity Shares increased over 24% from their 2013 fiscal low of \$0.585 (as at 4 December 2012) to \$0.7275 per US\$ Equity Share at 28 June 2013. For the fiscal year 2013, JPEL's US\$ Equity Shares increased 7.8%. Disappointingly, the Company's NAV per US\$ Equity Share declined as a result of the sale of certain non-core assets at a discount to net asset value as well as mark-downs within certain of the Company's underlying investments. Although some of this decline was mitigated by share repurchases, US\$ Equity NAV decreased by 1.8%.

All of JPEL's remaining classes of ZDP Shares have performed well. The NAV of JPEL's 2015 ZDP Shares rose 9.6% during this period, from 65.31p to 71.60p per share. At 30 June 2013, JPEL's 2015 ZDP Shares traded at an 10.9% premium to NAV. The NAV of 2017 ZDP Shares rose 8.7% during this period, from 69.25p to 75.25p per share. At 30 June 2013, JPEL's 2017 ZDP Shares traded at an 16.3% premium to NAV.

The Board and the Manager will continue to emphasize improving JPEL's capital structure in the coming year, but will also look to shift the Company's focus towards maximizing and growing NAV per US\$ Equity Share. Although we are pleased with the progress that has been accomplished over the last twelve months, we believe further improvements are necessary – and will be implemented in the coming months.

## REVIEW OF ACTIONS – LAST TWELVE MONTHS

On 5 September 2012, JPEL announced a series of special resolutions that were duly passed at the Company's AGM. JPEL's Shareholders:

- Amended the limits on borrowing to 30% of the Total Assets of the Company.
- Amended the final capital entitlement ("FCE") dates of each of the Company's three classes of ZDP Shares, such that each class of ZDP Shares would mature two months earlier than initially scheduled to mature.
- Increased the minimum cover under the ZDP Test from 1.3 times to 2.0 times, as defined in the Company's Articles.
- Approved the retirement proposal for the Company's 2013 ZDP Shares. JPEL proposed that the Company's

<sup>(1)</sup> Total leverage ratio is defined as total amount of leverage divided by total assets.



2013 ZDP Shares would be paid through a combination of available cash and undrawn borrowings under the existing credit facility.

Shortly after the special resolutions were approved in September, in November 2012, JPEL formally announced a series of Strategic Initiatives aimed at repositioning the Company's portfolio, improving the Company's capital structure and providing liquidity for holders of JPEL's US\$ Equity Shares. Immediately following this announcement, on 14 November 2012, JPEL purchased into treasury 31,372,548 US\$ Equity Shares at a price of \$0.6375 per share. Through this transaction, JPEL purchased approximately 9% of US\$ Equity Shares outstanding at a substantial discount to the prevailing NAV.

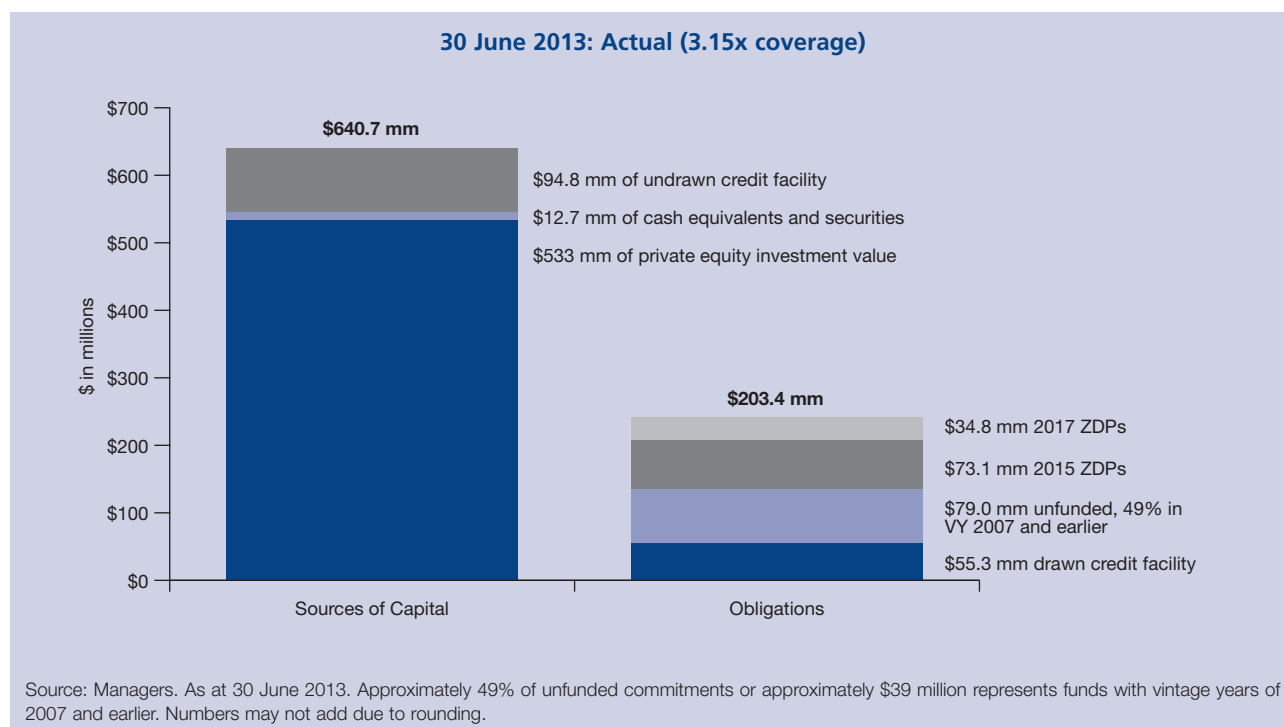
During the first quarter of 2013, the Company completed the sale of \$35.8 million of selected non-core assets generating \$30.4 million of proceeds. In total, JPEL was able to exit five limited partnership interests in US, European and Asian based buyout funds with vintages predominantly in the 2005-2006 range. The secondary sale was completed with third-party buyers at an aggregate discount of 15% to prevailing NAV.

As anticipated, in April 2013, JPEL successfully redeemed and cancelled its 2013 Zero Dividend Preference Share Class (Ticker – LSE: JPEZ). The Final Capital Entitlement of the

2013 ZDP Shares was approximately £45.8 million at retirement and was paid to shareholders on record on 29 April 2013. The payment was financed by cash on hand, proceeds from JPEL's non-core asset sales and the utilisation of the Company's low-cost credit facility. As at 29 April 2013, the 2013 ZDP Shares represented approximately 40% of JPEL's three distinct classes of zero dividend preference shares. As a result of the retirement, JPEL's ZDP Cover Test as defined in the Company's Articles improved from 2.7x at 31 December 2012 to approximately 3.5x at 30 April 2013.

At the end of June 2013, due to strong distribution flows from JPEL's mature underlying private equity portfolio, the Company was able to pay down approximately \$30 million of its revolving credit facility. After the \$30 million repayment, the amount drawn under the Company's credit facility was \$55.3 million at 30 June 2013.

**During the six month period ending 30 June 2013, JPEL was able to reduce total indebtedness by approximately \$79 million as compared to 31 December 2012. The Company's annualized interest expense was also reduced by approximately 33%. JPEL's ratio of sources of capital to obligations increased from 2.56x at 31 December 2012 to 3.15x at 30 June 2013. In addition, JPEL's leverage ratio decreased to below 30% as at 30 June 2013, down from 39%, at 31 December 2012.<sup>(1)</sup>**



<sup>(1)</sup> Total leverage ratio is defined as total amount of leverage divided by total assets.

# Chairman's Statement continued

## Positive distribution activity continued in the twelve months ending 30 June 2013

JPEL's portfolio continued to produce positive net distributions during fiscal year 2013 due in part to the seasoned nature of the portfolio and an improved exit environment in North America. Exclusive of new investment purchases and asset sales, JPEL received approximately \$102.5 million of gross distributions and funded \$27.4 million of capital calls. Please see page 19 in this report for more details on distribution and capital call activity.

JPEL's net distribution activity has led to a return of capital to shareholders and a significant reduction in leverage as discussed above. As shareholders are aware, it is JPEL's policy to return 50% of portfolio distributions, net of capital calls, operating expenses and any near term payment obligations, to shareholders.<sup>(1)</sup> In the twelve months ending 30 June 2013, JPEL has returned approximately \$21.7 million to shareholders through various buyback activities.

## INVESTMENT ACTIVITY

JPEL's investment activity was limited during the last twelve months. In total, JPEL made one investment in a new opportunity and made two follow-on investments in two existing portfolio companies. Total capital deployed in these investments was \$11.6 million.

As discussed in previous reports, through various open market purchases, JPEL, together with another fund managed by the Managers, acquired approximately 26.3% of Aqua Resources, a listed private equity fund with exposure to five water related assets at an average discount of approximately 65% to prevailing net asset value. As designed by the Managers, Aqua Resources was delisted on 12 November 2012 following an EGM whereby shareholders approved the company's intent to go private and cancel its shares on the London Stock Exchange.

JPEL also completed two follow on investments in Primopiso Acquisition Sarl, a European industrial flooring company. This additional growth capital will be used to facilitate the purchase of minority positions in certain subsidiaries at a substantial discount to market value. Since JPEL's initial investment in January 2011, Primopiso Acquisition Sarl has performed in line with management's expectations and achieved revenue and EBITDA growth of 13.9% and 24.0%, respectively from 2011 to 2012. The improved performance has been driven in particular by growth in the LATM and Products businesses. The company's 2013 budget forecasts a 13.2% growth in net revenue and an increase in EBITDA from €5.0 mm in 2012 to €8.1 mm in 2013 with growth across all regions (Africa and LATAM in particular) and a significant improvement in the Iberian region.

In addition, JPEL also funded capital calls in connection with the refinancing of Deutsche Annington Immobilien Group which was completed in late December 2012.

The majority of reports from JPEL's underlying private equity sponsors used in deriving the Company's 30 June 2013 financial statements are based on underlying company data as at 30 June 2013. As a result, the performance of JPEL's private equity portfolio during the period reflects the global markets at that time.

In the twelve months ending 30 June 2013, JPEL's NAV per US\$ Equity Share decreased 1.8% from an audited NAV per US\$ Equity Share of \$1.13 at 30 June 2012 to \$1.11 at 30 June 2013. JPEL's NAV development has been negatively affected by specific challenges facing certain of the Company's underlying investments:

- **Sale of Assets:** JPEL completed the sale of \$35.8 million of selected non-core assets at an approximate 15% discount to prevailing net asset value, generating a \$5.4 million decrease in NAV.
- **Slow Economic Growth in China:** China Media Enterprises, JPEL's second largest individual company investment, was marked down aggressively due to a challenging market environment during 2H 2012 and first quarter of 2013. Growth has declined compared to 2011 and 1H of 2012 due to general slow economic conditions in China and a significant decline in advertising spending in Hong Kong. At the same, the cost basis of the company grew as local rents for billboard space in Hong Kong have increased substantially over the past two years. Moreover, it is unlikely market conditions will improve substantially throughout the remainder of 2013. That said, since the original investment, the company has grown overall EBITDA and generated significant free cash flow and has no debt. The company is still investing for future growth, including spending to upgrade their existing billboards.
- **Postponed IPO for a pharmaceutical research and development company:** During the fiscal year, one of JPEL's top 20 underlying company investments, Paratek Pharmaceuticals, was marked down. Paratek had filed to go public in September of 2012, however, the IPO was formally withdrawn in July 2013. Following the withdrawal of Paratek's IPO, the company's private equity sponsors began to seek alternative sources of raising capital, raising dilutive equity. As a result, the Sponsors have reduced the current carrying value of Paratek.

<sup>(1)</sup> Subject to applicable legal, corporate and regulatory restrictions. Shareholders should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

Other developments in JPEL's portfolio, subsequent to fiscal year end include:

- **Deutsche Annington Immobilien Group ("DAIG").** In July 2013, JPEL's largest single company holding representing approximately 11.0% of private equity value, "DAIG", floated approximately 15.5% of the company on the Frankfurt Stock Exchange. As a result of the IPO, in August, JPEL received a small distribution from the company amounting to \$3.3 million. Subsequent to the offering, DAIG raised €1.3 billion of bonds, which have an average life of 4.7 years at total interest costs of 2.7%, improving the financing costs and maturity profile of the company. This compares favourably with the 4.6% all in rate on their current financing. JPEL has been informed by DAIG's manager that they intend to value the company on a mark to mark basis based on the public share price on a going forward basis commencing 30 September 2013. Based on the current share price, JPEL does not anticipate a material change in DAIG's holding value. Since its IPO at €16.50 per share, DAIG shares have traded up 14.8% and closed at €18.94 per share on 30 September 2013.

## SHARE PRICE PERFORMANCE

The public market value of the Company's US\$ Equity Shares increased by 7.8% during the twelve month period ending 30 June 2013. As at 30 September 2013, the Company's US\$ Equity Shares traded down 4.8% from fiscal year-end to \$0.6925 which represents a 37.05% discount to net asset value, versus the average discount of the selected peer group of 22.3%.<sup>(1)</sup> The current discount of 37.05% is well in excess of the Company's average historical discount to NAV per US\$ Equity Share.

The Managers and the Board continue to monitor JPEL's US\$ Equity Share price and believe that the current market price does not reflect the underlying value of the Company's portfolio, and as such, may continue to buyback shares when opportunities arise.

## REVIEW OF PROGRESS

At JPEL's fiscal year ending 30 June 2012, I discussed the Company's "Action Plan" with shareholders. I would like to take the opportunity update shareholders on JPEL's progress over the last twelve months.

Item	Progress Update
Strengthen Balance Sheet and Reduce Carrying Costs	<ul style="list-style-type: none"> <li>– Extended existing debt facility with Lloyds Bank through January 2017. Key terms of the Lloyds Facility include: LIBOR +285bps for a loan to value ratio (LTV) of less than or equal to 10%, with no LIBOR floor and LIBOR +330bps for a LTV ratio of greater than 10%, with no LIBOR floor.</li> </ul>
Repay 2013 ZDPs and Reduce Overall JPEL Leverage	<ul style="list-style-type: none"> <li>– The Company repaid its 2013 ZDPs in April 2013 through a combination of cash on hand, distribution proceeds, asset sales and use of the Company's credit facility.</li> <li>– In total, JPEL was able to reduce total indebtedness by approximately \$79 million as compared to 31 December 2012.</li> <li>– JPEL reduced the Company's annualized interest expense by approximately 33%.</li> <li>– JPEL's leverage ratio<sup>(2)</sup> decreased to below 30% as at 30 June 2013, down from 39%, at 31 December 2012.</li> </ul>
Provide Liquidity for Holders of US\$ Equity Shares	<ul style="list-style-type: none"> <li>– In the twelve months ending 30 June 2013, JPEL has repurchased over 33.9 million US\$ Equity Shares, or approximately 9.8% of the weighted average number of US\$ Equity Shares outstanding at 30 June 2013. <ul style="list-style-type: none"> <li>● On 14 November, JPEL repurchased \$20 million US\$ Equity Shares at \$0.6375 per US\$ Equity Share.</li> </ul> </li> <li>– Clarification of JPEL's distribution policy: It is JPEL's policy to return 50% of portfolio distributions, net of capital calls, operating expenses and any near term payment obligations, to shareholders.<sup>(3)</sup></li> </ul>

<sup>(1)</sup> Source: J.P. Morgan Cazenove Alternative Statistics, Bloomberg as at 23 September 2013. Peer Group members based on multi-manager listed private equity funds included in the research publication "LPE Focus" by RBS and includes: APEF, PEHN, NBPE, HVPE, PEY, GPE, SEP, PIN and FPEO.

<sup>(2)</sup> Total leverage ratio is defined as total amount of leverage divided by total assets.

<sup>(3)</sup> Subject to applicable legal, corporate and regulatory restrictions. Shareholders should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

## Chairman's Statement continued

### MARKET OUTLOOK

JPEL's Managers believe that JPEL's mature portfolio will continue to generate positive net distribution flows to potentially fuel further reduction of debt, a return of capital to shareholders and, potentially, a resumption of JPEL's investment program.

During the first quarter of the fiscal year 2014, JPEL received net distributions of \$17.8 million. This is ahead of pace compared to the first quarter of fiscal year 2013. In addition, JPEL's largest investment was recently listed on the Frankfurt Stock Exchange and there are several other companies within JPEL's portfolio that could generate meaningful distributions during the remainder of the 2014 fiscal year. The Managers remain optimistic that JPEL will continue to generate significant net distributions.

With respect to new investment opportunities, the traditional private equity secondary market continues to be crowded with capital and it is unlikely that JPEL will seek to purchase standard limited partnership interests. However, the co-investment and secondary direct markets continue to

offer significant risk-adjusted returns. If JPEL resumes its investment program in fiscal year 2014, it is likely that these two segments will be of focus.

Please refer to the Company's audited financial statements dated 30 June 2013 for a more detailed review of the market risk associated with the Company's investment strategy. In general, JPEL's Managers are focused on investments that have downside protection, either through deeply discounted entry prices or transactions that will allow JPEL to structure downside protection.

JPEL's Board and Managers remain committed to increasing shareholder value and improving the Company's NAV per US\$ Equity Share. I would like to thank shareholders for the support that they have placed in the Company.

**Trevor Ash**  
*Chairman*

7 October 2013

# Corporate Actions

## 2012 CORPORATE ACTIONS

- On 23 July 2012, JPEL published a Circular to Shareholders. The circular contained notices in respect of the 2012 AGM of the Company and class meetings of holders of US\$ Equity Shares and each class of ZDP Shares as detailed below:

### Special Resolutions

1. To renew the Company's authority to make purchases of up to 15% of its own issued shares pursuant to any proposed Tender Offer.
2. To renew the Company's general authority to make market purchases of up to 14.99% of its own issued Shares.
3. To renew the disapplication of the pre-emption rights for up to 10% of its own issued Shares as set out in the Articles of Incorporation.
4. To: (i) amend the Company's borrowing powers to 30% of Total Assets from 20% of Adjusted Total of Capital and Reserves as set out in the Articles of Incorporation and to further amend the Articles of Incorporation to incorporate the rights of the 2017 ZDP Shares; (ii) amend the final capital entitlement date of each class of Issued ZDP Shares; (iii) amend the ZDP Test; and (iv) make a corresponding change to the borrowing restriction contained in the investment policy.

### Ordinary Resolutions

5. To approve and adopt the Annual Report and Financial Statements of the Company for the year ended 30 June 2011.
6. To re-elect Gregory S. Getschow as a non-executive Director of the Company, who retires by rotation.
7. To re-elect John Loudon as a non-executive, independent Director of the Company, who retires by rotation.
8. To elect PricewaterhouseCoopers CI LLP as Auditors to the Company.
9. To authorise the Directors to determine the Auditors' remuneration.
10. To authorise and agree the remuneration of the Directors in accordance with the Articles of Incorporation.

### Resolutions proposed separately at the US\$ Equity Class Meeting.

#### Extraordinary Resolution

1. To: (i) amend the Company's borrowing powers to 30% of Total Assets from 20% of Adjusted Total of Capital and

Reserves as set out in the Articles of Incorporation and to further amend the Articles of Incorporation to incorporate the rights of the 2017 ZDP Shares; (ii) amend the final capital entitlement date of each class of Issued ZDP Shares; (iii) amend the ZDP Test; and (iv) make a corresponding change to the borrowing restriction contained in the investment policy.

#### Ordinary Resolution

1. To approve the Refinancing Proposal formulated by the Board.

### Resolutions proposed separately at each Class Meeting of the Issued ZDP Shares.

#### Extraordinary Resolution

1. To: (i) amend the Company's borrowing powers to 30% of Total Assets from 20% of Adjusted Total of Capital and Reserves as set out in the Articles of Incorporation and to further amend the Articles of Incorporation to incorporate the rights of the 2017 ZDP Shares; (ii) amend the final capital entitlement date of each class of Issued ZDP Shares; (iii) amend the ZDP Test; and (iv) make a corresponding change to the borrowing restriction contained in the investment policy.

Defined terms of the Circular as noted on the previous page can be found in the Circular posted to the Company's website.

- On 8 August 2012, the Company received approval from the GFSC to appoint Augentius (Guernsey) Limited as administrator and secretary to the Company, replacing HSBC Management (Guernsey) Limited. The Company's registered office has changed to Carinthia House, 9-12 The Grange, St Peter Port, Guernsey GY1 4BF.
- On 8 August 2012, the Company entered into an amended and restated management agreement. JPEL announced that JF International Management Inc. ("JFIMI"), in addition to Bear Stearns Asset Management Inc. and JPMorgan Asset Management (UK) Limited, will act as an investment manager to the Company.
- On 5 September 2012, the Company announced that all resolutions put forth to shareholders at the Company's AGM were duly passed. The meetings were held from 3:30 p.m. (London time) on 5 September 2012 at Carinthia House, 9-12 The Grange, St Peter Port, Guernsey GY1 4BF.
- In November 2012, the Company announced a series of strategic initiatives to enable the Company to reposition its portfolio and return larger amounts of capital to US\$ Equity Shareholders while maintaining strong cover for ZDP holders. JPEL's announced strategic initiatives included:



## Corporate Actions continued

- Reposition JPEL portfolio
    - o Coupled with available capital from net distributions from JPEL's existing portfolio, explore sale of pre-credit crisis assets in secondary market to invest in growth opportunities
    - o Create a more transparent and concentrated portfolio
    - o Existing deal flow and return expectations are very attractive
  - Continue to improve capital structure
    - o Retire 2013 Zero Dividend Preference Shares in April 2013
    - o Aim to reduce JPEL debt by 2015 while improving interest costs
  - Provide liquidity for holders of US\$ Equity Shares
    - o It is JPEL's current policy to return 50% of portfolio distributions, net of capital calls, operating expenses and any near term payment obligations, to shareholders<sup>(1)</sup>
    - o To that end, JPEL will seek to purchase up to \$20 million of US\$ Equity Shares, or approximately 9% of shares outstanding through a coordinated share repurchase programme on 14 November 2012 at up to a 35% discount to prevailing NAV dated 30 September 2012. Any such purchases will be accretive to the NAV of the remaining US\$ Equity Shares
    - o Continue to look to purchase US\$ Equity Shares through a variety of programmes
  - On 15 November 2012, the Company announced that it completed a \$20 million coordinated share repurchase programme. Through a buy back on 14 November 2012, the Company purchased into treasury 31,372,548 US\$ Equity Shares at a price of \$0.6375 per Share. The coordinated share repurchase programme will be accretive to the Company's current NAV of \$1.11 per US\$ Equity Share as at 30 September 2012.
- interests in four US and European based buyout funds with vintages predominantly in the 2005-2006 range. The secondary sale was completed with three third-party buyers at an aggregate discount of 15% to prevailing NAV. The transaction generated cash proceeds of approximately \$27.8 million and released JPEL from approximately \$2.4 million in unfunded commitments.
- On 15 April 2013, the Company formally announced the timing and retirement of its 2013 Zero Dividend Preference Shares ("2013 ZDP Shares") which were due to reach their Final Capital Entitlement date on 29 April 2013.
  - On 7 May 2013, the Company announced that it had successfully redeemed and cancelled JPEL's 2013 ZDP Shares (Ticker JPEZ).
  - The Final Capital Entitlement of the 2013 ZDP Shares was approximately £45.8 million at retirement and paid to shareholders on record on 29 April. The redemption was financed by cash on hand, proceeds from non-core asset sales and the utilisation of the Company's credit facility.
  - The 2013 ZDP Shares represented approximately 40% of JPEL's three distinct classes of zero dividend preference shares as at 29 April 2013.
  - As a result of the retirement of 2013 ZDP Shares:
    - o JPEL's total leverage decreased by approximately 21% from \$243 million at 31 December 2012, to approximately \$192 million at 30 April 2013.
    - o JPEL reduced its annual interest expense by approximately 26% as a result of both a decrease in overall leverage as well as the Company's new, substantially lower cost credit facility.
    - o JPEL's leverage ratio<sup>(2)</sup> decreased to approximately 33%, down from 39%, at 31 December 2012.
    - o JPEL's ZDP Cover Test as defined in the Company's Articles has improved from 2.7x at 31 December 2012 to approximately 3.5x at 30 April 2013.
  - On 13 June 2013 JPEL published a circular to Shareholders containing a notice of AGM to be held at 2:30 p.m. (London time) on 9 July 2013 at Carinthia House, 9-12 The Grange, St. Peter Port, Guernsey GY1 4BF.

## 2013 CORPORATE ACTIONS

- On 27 February 2013, pursuant to the Company's announcement of its Strategic Initiatives on 7 November 2012, JPEL entered into a binding agreement to sell

<sup>(1)</sup> It is JPEL's current policy to return 50% of portfolio distributions, net of capital calls, operating expenses and any near term payment obligations, to shareholders. This policy is subject to applicable legal, corporate and regulatory restrictions. Shareholders should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

<sup>(2)</sup> Total leverage ratio is defined as total amount of leverage divided by total assets.

- The following summarises all of the resolutions JPEL sought approval for at the Annual General Meeting.
  - o Special Resolutions
    1. To renew the Company's authority to make purchases of up to 15% of each class of its own issued shares pursuant to any proposed Tender Offer.
    2. To renew the Company's general authority to make market purchases of up to 14.99% of each class of its own issued Shares.
    3. To renew the disapplication of the pre-emption rights for up to 10% of each class of its own issued Shares as set out in the Articles of Incorporation.
  - o Ordinary Resolutions
    4. To approve and adopt the Annual Report and Financial Statements of the Company for the year ended 30 June 2012.
    5. To re-elect Gregory S. Getschow as a non-executive Director of the Company, who retires by rotation.
    6. To re-elect Christopher Paul Spencer as a non-executive Director of the Company, who retires by rotation.
    7. To re-elect Trevor Charles Ash as a non-executive Director of the Company, who retires by rotation.
    8. To re-elect PricewaterhouseCoopers CI LLP as Auditors to the Company.
    9. To re-authorise the Directors to determine the Auditors' remuneration.
    10. To re-authorise and agree the remuneration of the Directors in accordance with the Articles of Incorporation.
- On 27 June 2013, the Company announced that using distributions received from its mature private equity portfolio, the Company paid down approximately \$30 million, or 35%, of the drawn portion of its revolving credit facility as at 30 April 2013. The current amount drawn under the Company's credit facility after this repayment was approximately \$56 million. JPEL's \$150 million multi-currency credit facility matures in January 2017.
  - As a result of this repayment, JPEL's total leverage has decreased by approximately 33% from \$243 million at 31 December 2012, to approximately \$163 million at 27 June 2013.
- JPEL's leverage ratio<sup>(1)</sup> has decreased to approximately 29.8%, down from 38.5% as at 31 December 2012.
- On 11 July 2013, the Company announced that at the Annual General Meeting held on 9 July 2013, the following special and ordinary resolutions were duly passed:
  - Special Resolutions
    1. To renew the Company's authority to make purchases of up to 15% of each class of its own issued shares pursuant to any proposed Tender Offer.
    2. To renew the Company's general authority to make market purchases of up to 14.99% of each class of its own issued Shares.
  - Ordinary Resolutions
    4. To approve and adopt the Annual Report and Financial Statements of the Company for the year ended 30 June 2012.
    5. To re-elect Gregory S. Getschow as a non-executive Director of the Company, who retires by rotation.
    6. To re-elect Christopher Paul Spencer as a non-executive Director of the Company, who retires by rotation.
    7. To re-elect Trevor Charles Ash as a non-executive Director of the Company, who retires by rotation.
    8. To re-elect PricewaterhouseCoopers CI LLP as Auditors to the Company.
    9. To re-authorise the Directors to determine the Auditors' remuneration.
    10. To re-authorise and agree the remuneration of the Directors in accordance with the Articles of Incorporation.
  - The following special resolution put to shareholders received 63.8% of votes in favour of the resolution, below the required 75%, and therefore was not passed:
    3. To renew the disapplication of the pre-emption rights for up to 10% of each class of its own issued Shares as set out in the Articles of Incorporation.
- In the period 1 July 2012 through 30 June 2013, the Company purchased 33,972,548 million US\$ Equity Shares at an average price of \$0.64 per share.

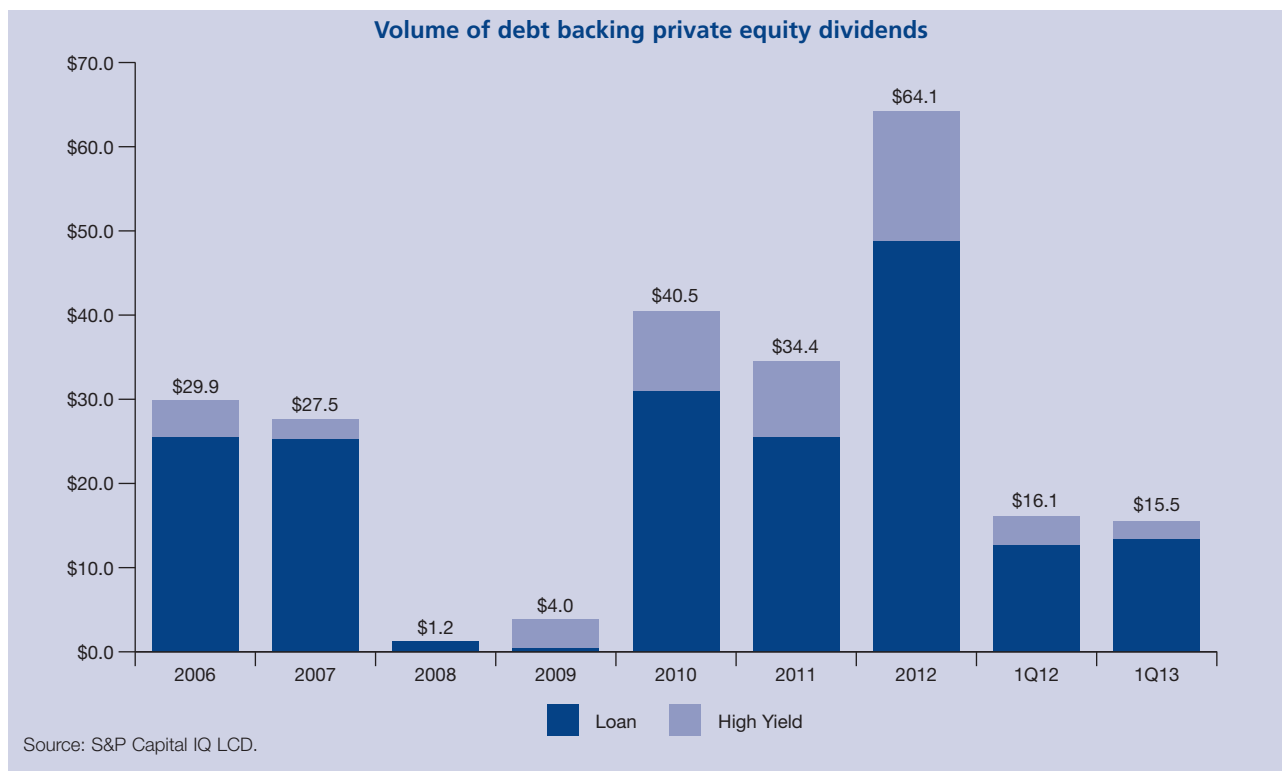
<sup>(1)</sup> Total leverage ratio is defined as total amount of leverage divided by total assets.

# Managers' Report

## MARKET OVERVIEW

Over the last six months, the main factors driving the private equity market have been the availability of credit and robust public markets. The result has been increased liquidity to private equity limited partners ("LPs") and a decline in traditional private equity secondary market activity.

In 2013, robust credit markets helped to provide private equity funds with liquidity by allowing sponsors to refinance aging portfolio companies and pay dividends to investors. Demand for new credit has outpaced merger and acquisition ("M&A") volumes and provided excess capacity to finance dividend recapitalizations. With a backlog of portfolio companies dating to the pre-credit crisis era, a dividend recapitalization allows private equity sponsor to take cash out of portfolio companies without selling their interest in the business.



In 2012, many venture capital and private equity funds were still wary of exiting companies via the public markets, especially in light of the perceived failure of the Facebook IPO. However in 2013, sponsors have been eager to gain entry to the IPO window in order to provide liquidity. In the first half of 2013, 70 IPOs were completed (9% more than in the first half of 2012) of which 23 (33%) were private equity backed companies and 29 (41%) were venture backed companies.<sup>(1)</sup>

The overall result of the robust credit and equity markets has been increased liquidity to private equity investors. In the first three quarters of calendar year 2013, JPEL received distributions of approximately \$64 million, approximately 7% more distributions than during the same period of calendar year 2012. The increased cash flow has been welcome in a year that JPEL had a large ZDP maturity come due. Yet as a result of improved NAVs and liquidity, traditional secondary private equity market sales have receded.

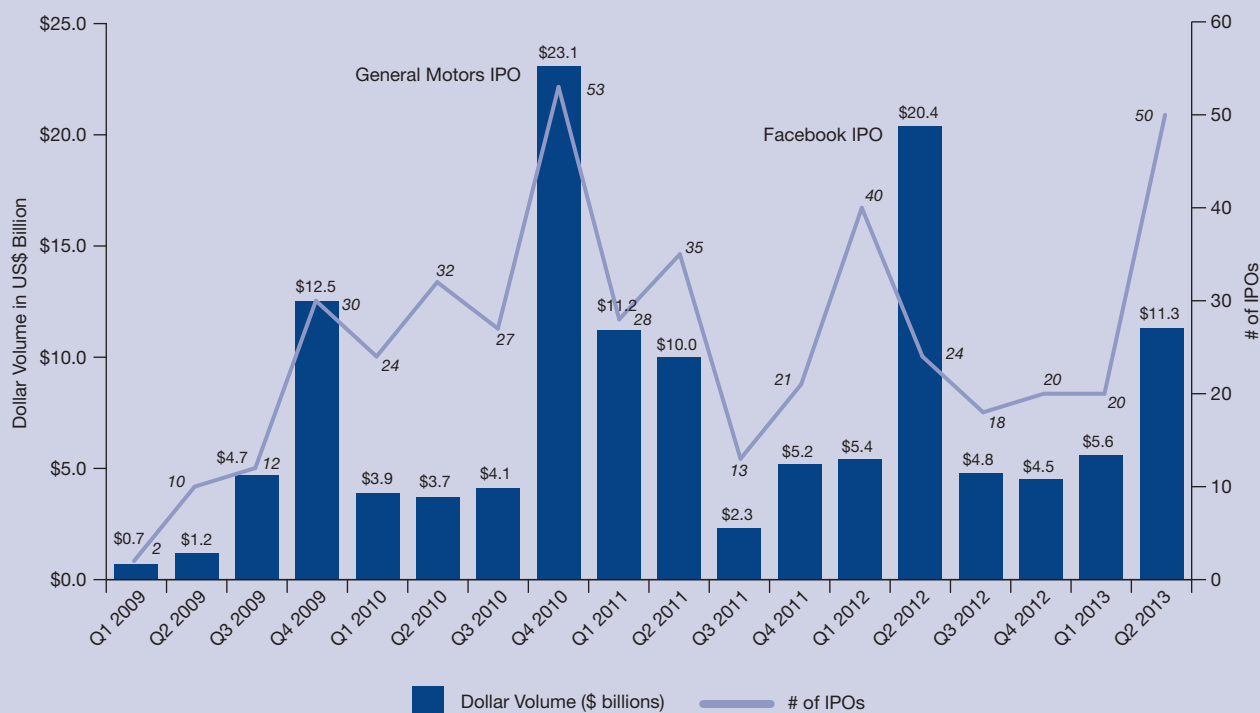
The first half of 2013, marked the lowest level of secondary market activity since 2009. According to Cogent, secondary transaction volume in the first half of 2013 was approximately \$7 billion, down from approximately \$13 billion in the first half of both 2011 and 2012.<sup>(2)</sup> In addition, traditional secondary market pricing has become more competitive. The average first round high bid for all private funds was 84% of NAV, reflecting an increase of over four percentage points of NAV from 2H 2012 to 1H 2013.<sup>(3)</sup> The market has shifted to a sellers market as secondary funds have a healthy amount of dry powder that needs to be deployed and LPs are feeling less liquidity constrained.

<sup>(1)</sup> WilmerHale: 2013 Mid-Year IPO Report.

<sup>(2)</sup> Cogent Secondary Pricing Trends & Analysis, July 2013.

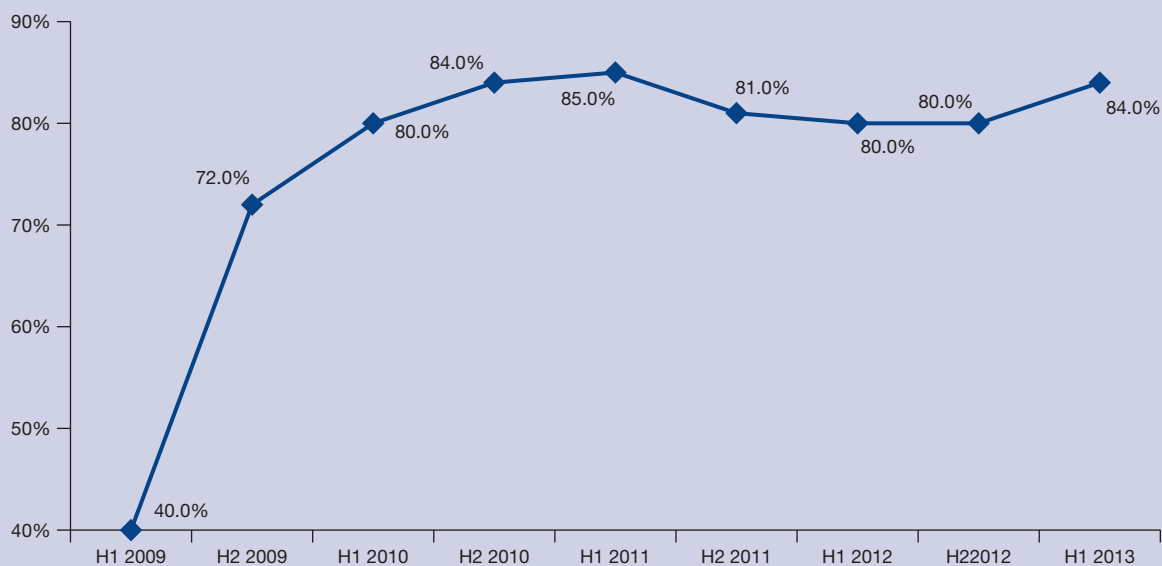
<sup>(3)</sup> Ibid.

US IPOs and Dollar Volume by Quarter – Q1 2009 to Q2 2013



Source: SEC filings.

Avg. High-Bid for Private Equity Funds  
(Shown as % of NAV)



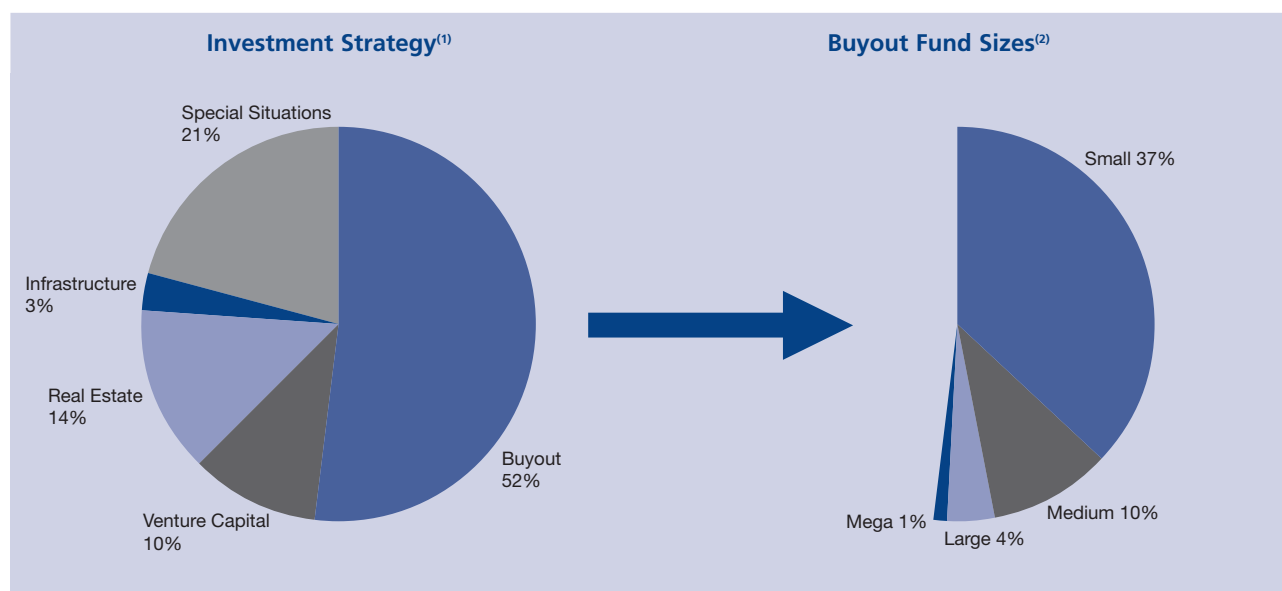
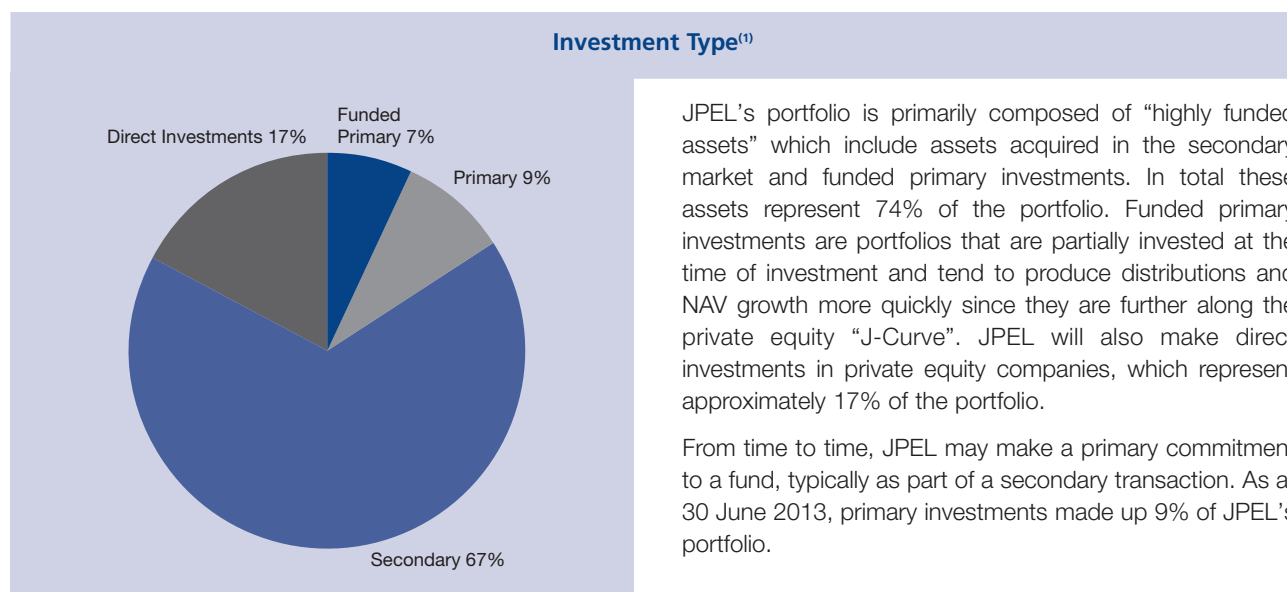
Source: Cogent Secondary Pricing Trends & Analysis, July 2013.

To find deep value investments, JPEL's Managers look for quality assets that do not fit the investment mandates of traditional secondary investors. JPEL seeks investments such as complex transactions, secondary direct deals, or off-market sales.

# Managers' Report continued

## PORTFOLIO REVIEW

Since the Company's inception on 30 June 2005, JPEL's portfolio has grown to include over 100 separate fund interests, co-investments and funds of funds. With a private equity value of \$533.9 million, JPEL's portfolio is diversified globally across multiple investment strategies and industries as at 30 June 2013.



Currently, buyout funds constitute approximately 52% of JPEL's portfolio. Within this strategy, the majority of the Company's investments are with fund managers that focus on small to medium sized buyouts, which generally utilize less leverage.

JPEL maintains a 21% allocation to special situation funds which includes mezzanine, debt, turnaround and distressed funds. Infrastructure, real estate and venture capital funds represent 3%, 14% and 10% of private equity net asset value, respectively.

<sup>(1)</sup> Based on 30 June 2013 market value of investments, percentages based on underlying fund-level values.

<sup>(2)</sup> Fund classifications for buyout strategy are based on total fund commitments: Small: \$0 – \$500 million; Medium: \$500 – \$2,000 million; Large: \$2,000 million – \$5,000 million; Mega: over \$5,000 million. Co-investments allocated by size of underlying sponsor fund.



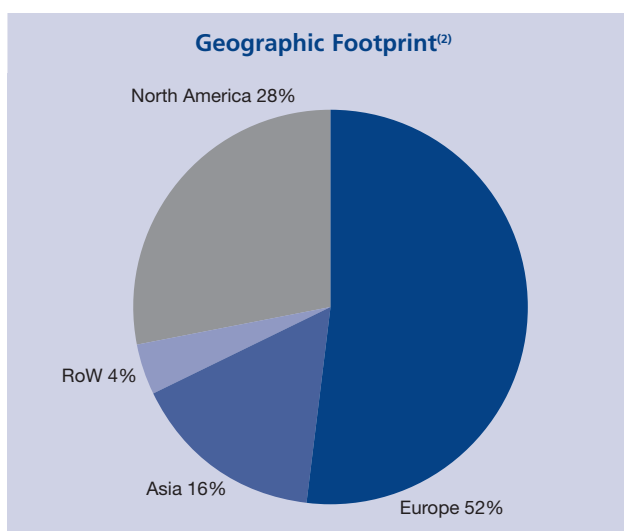
## Portfolio Age<sup>(1)</sup>

### Average Age of Portfolio by Investment Strategy

Average age of investments	6.6 years
• Buyout investments:	4.8 years
– Small buyout:	4.5 years
– Medium buyout:	5.8 years
– Large buyout:	3.3 years
– Mega buyouts:	8.7 years
• Venture Capital investments:	7.1 years
• Real Estate investments:	6.8 years
• Special Situations:	6.5 years
• Infrastructure investments:	7.1 years

When making investment decisions, JPEL seeks more mature assets that have good potential for near-term exits. With an average age of 6.6 years, JPEL's portfolio is well positioned on the private equity "J-Curve" to receive distributions once M&A and IPO markets normalize. As venture assets often take longer to develop, JPEL's venture capital investments have a more mature weighted average life of 7.1 years.

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



### European Exposure

Country	% of NAV
Germany	16.0%
United Kingdom	12.4%
Spain	6.6%
France	3.7%
Sweden	2.9%
Italy	2.4%
Finland	1.5%
Switzerland	1.3%
Channel Islands	1.2%
Denmark	1.0%
Luxembourg	0.6%
Poland	0.6%
Belgium	0.6%
Ireland	0.5%
Netherlands	0.5%
Norway	0.2%
Hungary	0.1%
<b>Total</b>	<b>52.0%</b>

JPEL's private equity portfolio is diversified with investments in over 35 countries, helping to mitigate country and regional risk as well as to capitalise on the growth of expanding economies. Europe and North America represent the majority of the Company's portfolio at 52% and 28% respectively. JPEL's allocation to Asia stands at 16% while investments in the rest of the world represent 4% of the portfolio.

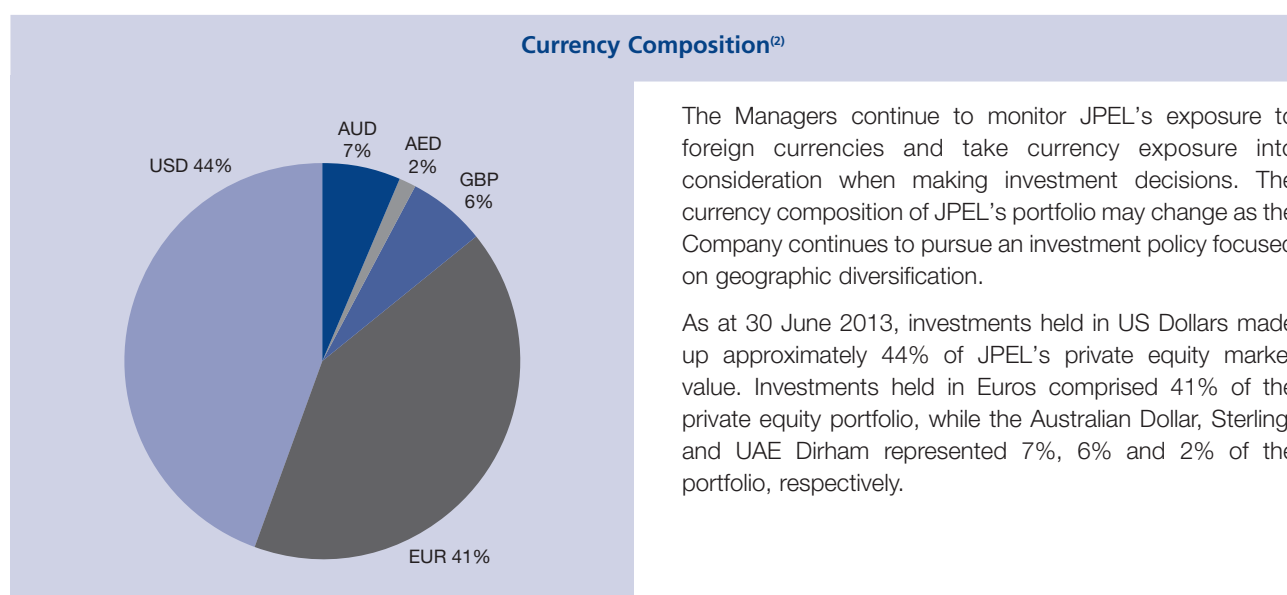
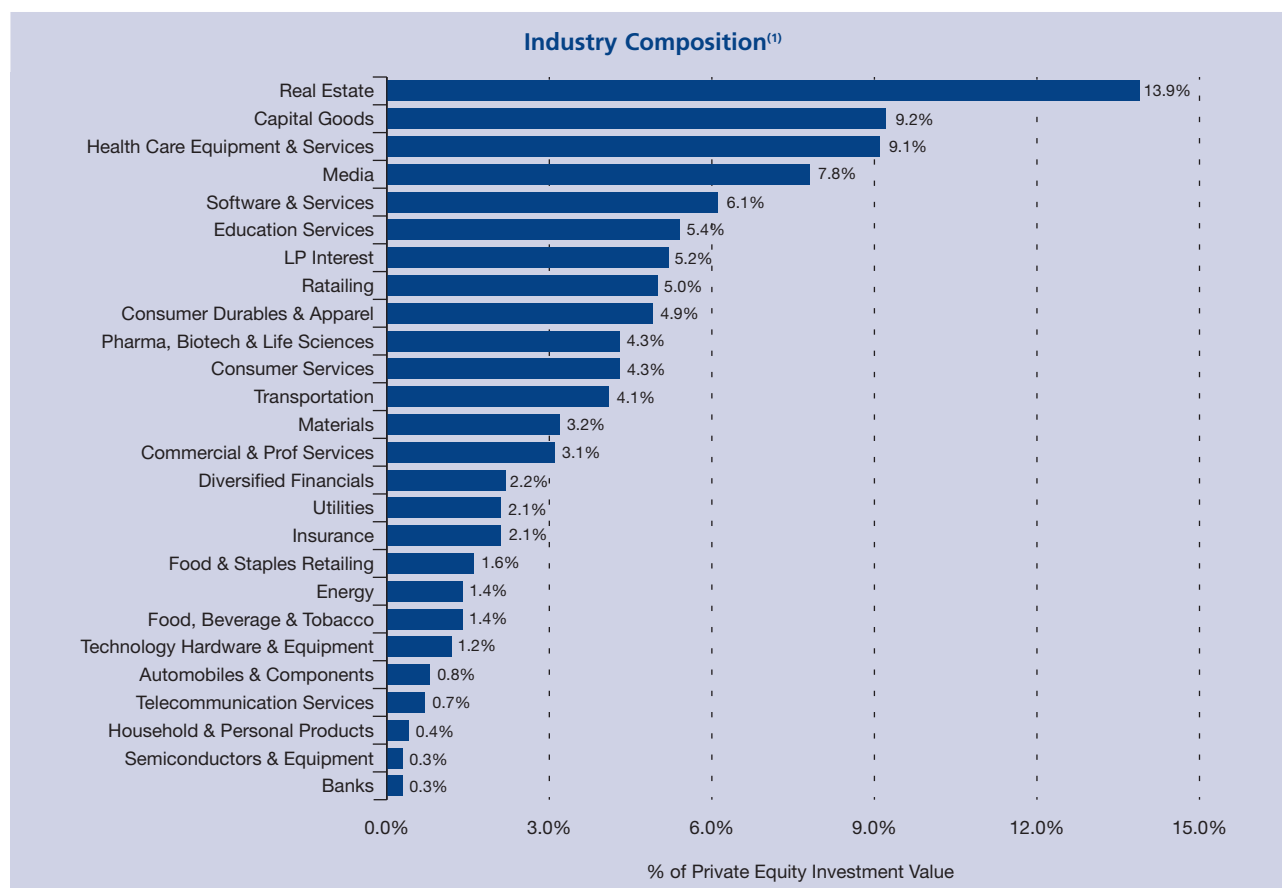
With the current uncertainty surrounding Europe, the Managers would like to provide greater visibility into the Company's European assets. Approximately 75% of the Company's exposure to Germany is a result of JPEL's investment in a highly diversified real estate portfolio of lower income housing. Spain comprises 6.6% of JPEL's private equity investments, of which approximately 60% is invested in a leading industrial flooring company. In 2012 the Spanish flooring company generated more than 75% of revenue outside of Spain.

<sup>(1)</sup> Based on 30 June 2013 market value of investments, percentages based on underlying company-level values. Average age of investments is based on the date in which each individual portfolio company investment was made, subject to availability. Weighting is based on underlying portfolio company level values. Age calculated at 30 June 2013. Average is weighted based on investments at market value as at 30 June 2013 percentages based on underlying company-level values.

<sup>(2)</sup> Based on 30 June 2013 market value of investments, percentages based on underlying company-level values.

## Managers' Report continued

In addition to geographic diversification, the Managers diversify JPEL's portfolio by industry composition. The portfolio is currently weighted towards real estate at nearly 14% of the portfolio and healthcare-oriented companies with approximately 13% of investment value in this sector.

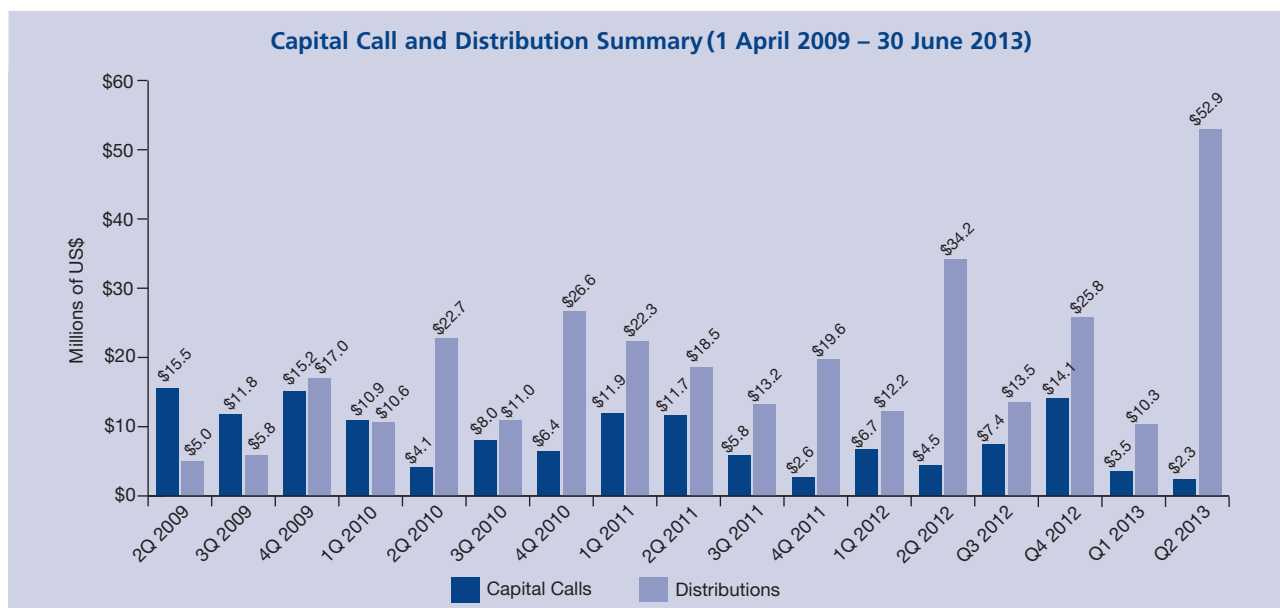


<sup>(1)</sup> Based on 30 June 2013 market value of investments, percentages based on underlying company-level values.

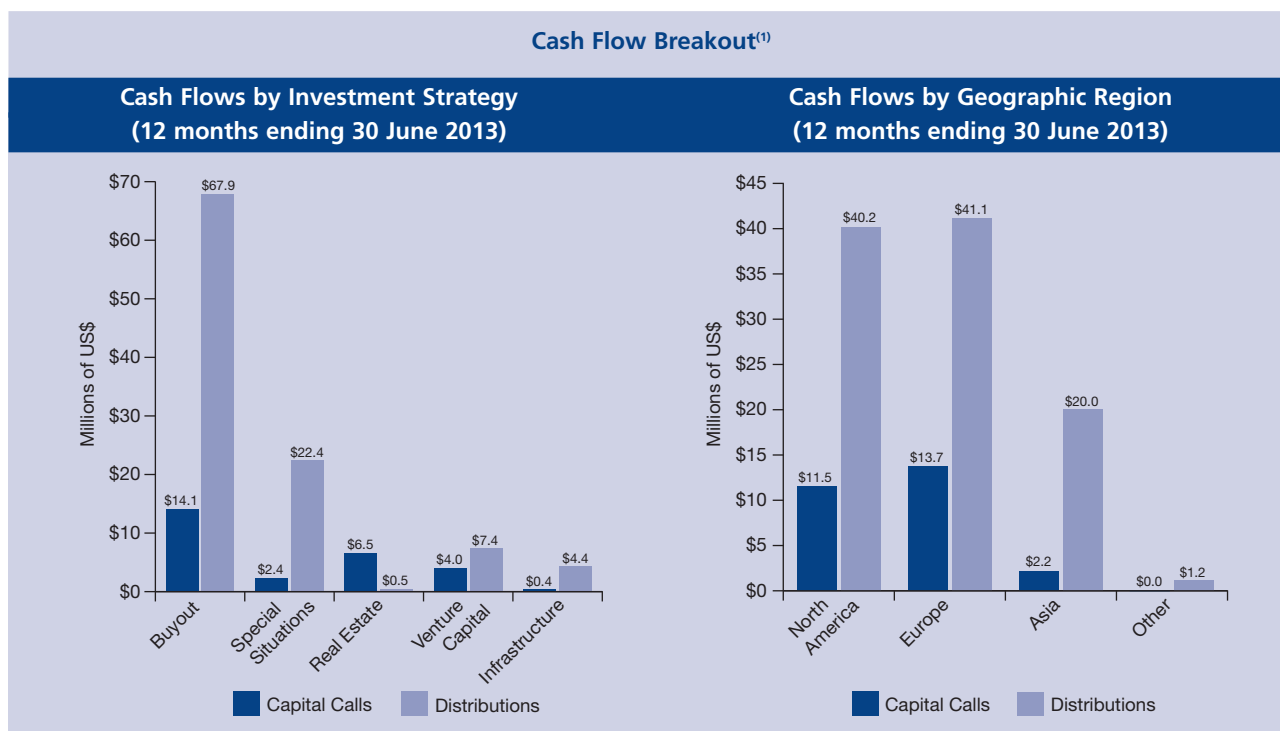
<sup>(2)</sup> Based on 30 June 2013 market value of investments, percentages based on underlying fund-level values. Please refer to page 45 of the financial statements for net currency exposure on the Company Level.

## CAPITAL CALLS AND DISTRIBUTIONS

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



JPEL's distribution activity has been steadily increasing over the past three years. In FY 2013, the Company received net distributions of \$75.2 million versus \$59.6 million in 2012. Q2 2013 marked a record quarter for JPEL with net distributions on \$50.6 million.



In the past year JPEL's buyout section of the portfolio has produced strong distribution cash flow. Europe outpaced North America as the greatest producer of distributions with the sales of Civica and Oasis, two former JPEL portfolio companies which together represented approximately 3.1% of JPEL's private equity value at 31 May 2013.

<sup>(1)</sup> Based on 30 June 2013 market value of investments.

# Managers' Report continued

## TOP 20 FUNDS & COMPANIES INFORMATION

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

Fund	Region	Fund Strategy	% of Private Equity Investments
1 Liberty Partners II	North America	Buyout	4.0%
2 Life Sciences Holdings SPV I Fund	Europe	Venture Capital	2.9%
3 Duke Street (Parallel Private Equity)	Europe	Buyout	2.5%
4 Guggenheim Aviation Offshore Investment Fund II	North America	Special Situations	2.5%
5 Alcentra Euro Mezzanine No1 Fund	Europe	Special Situations	2.5%
6 Almack Mezzanine I Fund	Europe	Special Situations	2.5%
7 Leeds Equity Partners V	North America	Buyout	2.2%
8 Hutton Collins Capital Partners II	Europe	Special Situations	2.2%
9 Milestone Link Fund	Europe	Buyout	2.0%
10 Barclays Private Equity (Parallel Private Equity)	Europe	Buyout	2.0%
11 GSC European Mezzanine Fund II	Europe	Special Situations	1.8%
12 Macquarie Wholesale Co-investment Fund	Asia	Buyout	1.7%
13 Argan Capital Fund	Europe	Buyout	1.7%
14 Milestone 2010	Europe	Buyout	1.5%
15 Catalyst Buyout Fund 1	Asia	Buyout	1.4%
16 Macquarie European Infrastructure Fund	Europe	Infrastructure	1.3%
17 Black Diamond Capital Management	North America	Special Situations	1.3%
18 Macquarie Alternative Investment Trust III	Asia	Buyout	1.3%
19 Aqua Resources Fund Limited	Europe	Buyout	1.3%
20 Beacon India Private Equity Fund	Asia	Buyout	1.2%

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

Company	Country	Industry Group	% of Private Equity Investments
1 Deutsche Annington Immobilien Group	Germany	Real Estate	12.2%
2 China Media Enterprises Limited	China	Media	5.5%
3 RCR Industrial S.a.r.l	Spain	Capital Goods	4.0%
4 Concorde Career Colleges, Inc.	USA	Consumer Services	2.4%
5 FibroGen	Finland	Pharma, Biotech & Life Sciences	2.0%
6 Gulf Healthcare International LLC	United Arab Emirates	Health Care Equipment & Services	1.8%
7 WinnCare	France	Health Care Equipment & Services	1.6%
8 Original Factory Shop	United Kingdom	Retailing	1.6%
9 Compre Group	United Kingdom	Insurance	1.6%
10 LifeLock, Inc.	USA	Software & Services	1.3%
11 Zena	Spain	Food & Staples Retailing	1.3%
12 Back Bay (Guernsey) Limited	USA	Real Estate	1.1%
13 Component Hardware Group, Inc.	USA	Consumer Durables & Apparel	1.1%
14 Everis Spain	Spain	Software & Services	0.9%
15 Gambro Healthcare	Sweden	Health Care Equipment & Services	0.9%
16 CSC Customer Services Company	Switzerland	Software & Services	0.7%
17 Education Management Corporation	USA	Consumer Services	0.7%
18 Agent Provocateur	United Kingdom	Retailing	0.7%
19 ION Media	USA	Media	0.7%
20 Lifehealthcare	Australia	Health Care Equipment & Services	0.7%

<sup>(1)</sup> Top 20 Funds and Top 20 Companies include underlying funds and companies indirectly owned through the purchase of secondary interest in Private Equity Access Fund II Ltd, Bear Stearns Global Turnaround Fund, L.P., BoS Mezzanine Partners Fund, L.P. (BoS company-level exposure includes estimated pro rated fund-level leverage), and Macquarie Private Capital Trust.

<sup>(2)</sup> Percentages are calculated based on 30 June 2013 audited market value of investments.

## 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 \$216.0 million, or 40.5% of total private equity investment value, at 30 June 2013.

### 1. Deutsche Annington Immobilien Group

Sponsor	Terra Firma	Deutsche Annington Immobilien Group ("DAIG") is a German residential real estate company with over 200,000 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	
30 June 2013 Value	\$65.2 million	
% of PE Investment Value	12.2%	

### 2. China Media Enterprises Limited<sup>(2)</sup>

Sponsor	Whale Capital	China Media Enterprises Limited is an outdoor advertising company located in Hong Kong and mainland China.
Geographic Focus	Asia	
Investment Type	Co-Investment	
Investment Strategy	Buyout	
Date of Investment	February 2010	
30 June 2013 Value	\$29.3 million	
% of PE Investment Value	5.5%	

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

Sponsor	Column Capital	RCR Industrial S.a.r.l. is a global market leader for industrial flooring solutions. The Company is headquartered in Spain and operates in Europe, Latin America and Africa.
Geographic Focus	Europe	
Investment Type	Co-Investment	
Investment Strategy	Buyout	
Date of Investment	January 2011	
30 June 2013 Value	\$21.2 million	
% of PE Investment Value	4.0%	

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

Sponsor	Liberty Partners	Liberty Partners II specializes in middle-market private equity investments in education, speciality manufacturing and business services companies.
Geographic Focus	North America	
Investment Type	Secondary	
Investment Strategy	Buyout	
Date of Investment	May 2008	
30 June 2013 Value	\$21.2 million	
% of PE Investment Value	4.0%	

### 5. Life Sciences Holdings SPV I Fund, L.P.

Sponsor	Omega Funds	Life Sciences Holding SPV I Funds, L.P. is a holding vehicle for an investment in a secondary portfolio of European life science companies.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Venture Capital	
Date of Investment	June 2009	
30 June 2013 Value	\$15.3 million	
% of PE Investment Value	2.9%	

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

<sup>(2)</sup> Represents the net asset value of JPEL's investment in China Media Enterprises Limited, versus the gross asset value of \$35.4 million shown on page 64 of the Financial Statements.



# Managers' Report continued

## TOP 10 INVESTMENTS<sup>(1)</sup> continued

### 6. Duke Street (Parallel Private Equity)

Sponsor	Duke Street	Duke Street (Parallel Private Equity) is a 2007 and 2008 vintage year co-investment vehicle designed to invest alongside Duke Street Capital. The vehicle holds seven middle market buyout co-investments, primarily located in the United Kingdom.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Buyout	
Date of Investment	September 2011	
30 June 2013 Value	\$13.5 million	
% of PE Investment Value	2.5%	

### 7. Guggenheim Aviation Offshore Investment Fund II, L.P.

Sponsor	Guggenheim	Guggenheim Aviation Investment Fund II, L.P. acquires new and used aircrafts to lease to passenger and cargo operators.
Geographic Focus	North America	
Investment Type	Funded Primary	
Investment Strategy	Special Situations	
Date of Investment	October 2007	
30 June 2013 Value	\$13.4 million	
% of PE Investment Value	2.5%	

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

Sponsor	Alcentra	Alcentra Euro Mezzanine No. 1 Fund, L.P. targets mezzanine and mezzanine-related investments in privately-owned, cash generative business in Europe with enterprise values in excess of €75 million.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Special Situations	
Date of Investment	May 2007	
30 June 2013 Value	\$13.2 million	
% of PE Investment Value	2.5%	

### 9. Almack Mezzanine I Fund<sup>(3)</sup>

Sponsor	Babson Capital	Almack Mezzanine I LP ("Almack") invests in senior loans, mezzanine loans and buyout-related high-yield bonds, predominantly in Europe. Almack targets both large and mid-market mezzanine investments in the UK and Continental European markets.
Geographic Focus	Europe	
Investment Type	Secondary	
Investment Strategy	Special Situations	
Date of Investment	May 2007	
30 June 2013 Value	\$13.1 million	
% of PE Investment Value	2.5%	

### 10. Leeds Equity Partners V, L.P.

Sponsor	Leeds Equity	Leeds Equity Partners is a private equity firm focused on investments in the education, training and information and business services industries.
Geographic Focus	North America	
Investment Type	Primary	
Investment Strategy	Buyout	
Date of Investment	October 2008	
30 June 2013 Value	\$11.5 million	
% of PE Investment Value	2.2%	

Bear Stearns Asset Management Inc.  
JPMorgan Asset Management (UK) Limited  
JF International Management Inc.

Date: 7 October 2013

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

<sup>(2)</sup> Alcentra Euro Mezzanine No. 1 Fund, L.P. is owned through JPEL's investment in BoS Mezzanine Partners Fund, LP.

<sup>(3)</sup> Almack Mezzanine I Fund is owned through JPEL's investment in BoS Mezzanine Partners Fund, LP.

# Directors' Report

## INTRODUCTION

The Directors present their annual report together with the audited financial statements of J.P. Morgan Private Equity Limited (the "Company") for the year ended 30 June 2013 (the "Financial Year"). The financial summary is set out on page 1. A detailed review of activities is contained in the Managers' Report on pages 16 to 22.

## PRINCIPAL ACTIVITY

The Company is a closed ended investment fund incorporated as a limited liability company in Guernsey under The Companies (Guernsey) Law, 2008, authorised under The Authorised Closed-Ended Investment Schemes Rules, 2008 and is regulated by the Guernsey Financial Services Commission.

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

## GOING CONCERN

The Directors have examined significant areas of possible liquidity risk and have satisfied themselves that no material exposures exist. The Directors therefore consider that the Company 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.

## CHANGE IN ACCOUNTING POLICY

The Company has early adopted IFRS 10, 'Consolidated financial statements' and Amendments to IFRS 10, for the year ended 30 June 2013. This has resulted in the subsidiaries that were being previously consolidated now being accounted for as investments with their fair value changes being reported in the Statement of Comprehensive Income. Please refer to Note 1 Significant Accounting Policies, section 'Standards and amendments effective for annual periods beginning on or after 1 January 2013 that have been early adopted by the Company' on page 34. The extent of the impact of early adoption resulted in a material change for the comparative period, please refer to Note 24 'Change in accounting policy and transition' on page 65.

## CORPORATE GOVERNANCE

### Principles Statement

The Directors are committed to high standards of corporate governance and have made it the Company's policy to comply with best practice in this area, insofar as the Directors believe it is relevant and appropriate to the Company, and in compliance with the 'UK Corporate Governance Code' (i.e. the code of best practice published by the Financial Reporting Council (FRC), in respect of a financial year

beginning on or after 29 June 2011). The complete UK Corporate Governance Code can be viewed on the Financial Reporting Council website at <http://www.frc.org.uk>.

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

The Company has complied with the provisions of the AIC Code and the UK Corporate Governance Code, except for the UK Corporate Governance Code provisions relating to:

- the role of the chief executive;
- the appointment of a Senior Independent Director;
- executive directors' remuneration;
- the need for an internal audit function; and
- meeting with major shareholders to discuss governance and strategy.

For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the Board considers these provisions not to be relevant to the position of the Company, it being an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Guernsey Financial Services Commission deems a company to be compliant with the Guernsey Code if they follow the AIC Guide or the UK Corporate Governance Code.

The Directors resolved to adopt the Code of Corporate Governance which was issued by the Guernsey Financial Services Commission in September 2011 (the 'Guernsey Code'). The Guernsey Code provides a set of principles and guidance on the components of good corporate practice which the Directors consider relevant to the legal and operating structure of the 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 Company:

- review the overall objectives for the Company as described in the prospectus dated 16 August 2011 and

## Directors' Report continued

set the Company's strategy for fulfilling those objectives within an appropriate risk framework;

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

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

### Board Decisions

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

### Directors, Rotation of Directors and Directors Tenure

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

Trevor Charles Ash

John Loudon

Christopher Paul Spencer

Gregory Getschow (appointed 11 June 2009)

The UK Corporate Governance Code recommends that Directors should be appointed for a specified period. Mr. Getschow will be put forward for re-election as a non-independent, non-executive Director of the Company on an annual basis and the other directors on a three year basis. No Director has a service contract with the Company.

### Directors' Interests

Mr. Gregory Getschow is a senior executive of Bear Stearns Asset Management Inc., one of the Managers to the

Company and a subsidiary of JPMorgan Chase & Co. Other than Christopher Spencer who, as at 30 June 2013, owns 30,067 US\$ Equity Shares, no other Director holds directly or indirectly shares in the Company.

### Audit Committee

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

### Remuneration Committee

The Board as a whole fulfils the function of a remuneration committee in relation to the setting and periodic review of the fees of the Directors and the Chairman, taking into account, amongst other factors, prevailing market conditions and the need to attract to the Board, and retain thereafter, suitable persons. The Board considers that, given its size and the size of the Company, it would not be appropriate to establish a separate remuneration committee.

### Nomination Committee

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

### Management Engagement Committee

The Board as a whole fulfils the function of a management engagement committee. The Board considers that, given its size and the size of the Company, it would not be appropriate to establish a separate management engagement committee.

The Directors believe that Bear Stearns Asset Management Inc ("BSAM Inc"), JPMorgan Asset Management (UK) Limited ("JPMAM UK") and JF International Management Inc. ("JFIMI") (together the "Managers"), subsidiaries of JPMorgan Chase & Co have performed consistently since being appointed as the Managers of the Company. As such, it is the view of the independent Directors that it is in the best interests of the Shareholders to continue with the current appointment of the Managers under the terms agreed.

### Board Meetings

The Board meets quarterly and as required from time to time to consider specific issues reserved to the Board. At the

quarterly meetings it considers papers circulated seven days in advance including reports provided by the Managers and the Administrator. The Managers' report comments on:

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

The Administrator provides a compliance report at each quarterly meeting.

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

The below table shows the attendance at Board meetings during the year to 30 June 2013.

Director Name	1 October 2012	8 January 2013	1 April 2013
Trevor Charles Ash	✓	✓	✓
John Loudon	✓	✓	✓
Christopher Paul Spencer	✓	✓	✓
Gregory Getschow	✓	✓	✓

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

## Internal Controls

The Directors have reviewed the effectiveness of the Company's system of internal financial and operating controls during the fiscal year and found they were operating as expected.

The Board considers risk management and internal financial and operating controls 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.

The key elements designed to provide effective internal financial and operating controls are as follows:

- Financial reporting – A regular review of relevant financial data including NAV calculations and performance projections.
- Management and Administration Agreements – Contractual documentation with appropriately regulated entities which clearly describes responsibilities for the two principal service providers.
- Management Systems – The Managers' system of internal controls is based on clear written processes, a formal investment committee and clear lines of responsibility and reporting, all of which are monitored by the Managers' internal risk team.
- Administrator's Systems – Augentius (Guernsey) Limited ("Augentius" or the "Administrator") is part of the largest independent Private Equity and Real Estate Administrator in the world. The Administrator's systems of internal controls are based on formalised processes tailored specifically to JPEL. In addition, every transaction and report is reviewed by at least two qualified Accountants before release.
- Administrator's Technology – Augentius uses SunGard Investran as its core accounting system and benefits from structured change control processes and clear audit trail functionality. Investran as a system is recognised as a leading accounting technology for Private Equity.

On 8 August 2012, the Company entered into an amended and restated investment management agreement. Under the new agreement dated 8 August 2012 the Company agreed that henceforth it be provided with investment management services by JF International Management Inc. in addition to Bear Stearns Asset Management Inc. and JPMorgan Asset Management (UK) Limited.

Administration and company secretarial services were provided by HSBC Management (Guernsey) Limited ("HMG") through 13 August, 2012. Effective 13 August 2012, Augentius (Guernsey) Limited has been appointed as administrator and company secretary, replacing HMG. Consideration was given to the internal controls of the Administrator prior to appointment and will be assessed on an ongoing basis. The Company's system of internal control is substantially reliant on the Managers' and Augentius' internal controls and their internal audit. During the period Augentius was awarded a SSAE16 Type II report for its internal controls. To date there have been no issues with the internal financial and operating controls arising from the Administrator. It is the view of the independent Directors that it is in the best interest of Shareholder's to continue with the current appointment of the Administrator as all of their duties and responsibilities have been carried out successfully since their appointment.

# Directors' Report continued

## Principal risks and uncertainties

The Company, the Company's investments and the underlying portfolio companies are materially affected by a variety of risks and uncertainties in the global financial markets and economic conditions throughout the world. These risks and uncertainties include, but are not limited to, interest rates, currency, investment prices, credit, liquidity, investment managers, valuations, political, and regulatory. These factors are outside the Company's control and may affect the level and volatility of securities prices, the amount of distributions received, the liquidity and value of investments in the portfolio. The Company may be unable to mitigate its exposure to these conditions as efforts to manage its exposure may or may not be effective. Please refer to note 3 of the audited financial statements for a more detailed discussion of the above principal risks and uncertainties.

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

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;

- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The Directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers and a review of the Administrators' SSAE16 (formerly SAS 70) reports on internal controls.

## Managers

On 8 August 2012, the Company entered into an amended and restated Investment Management Agreement. Under the new agreement dated 8 August 2012 the Company agreed that henceforth it be provided with investment management services by JF International Management Inc., in addition to Bear Stearns Asset Management Inc. and JPMorgan Asset Management (UK) Limited.

The Managers' key responsibilities include proposing an investment strategy to the Board and, within certain authority limits, selecting investments for acquisition and disposal and arranging appropriate lending facilities. The Managers are also responsible for all issues pertaining to asset management.

In conjunction with the Company's acquisition of Macquarie Private Capital Trust ('MPCT'), 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 Company Secretary through 13 August 2012, Augustus (Guernsey) Limited was appointed as administrator and secretary to the Company, replacing HMG. From 13 August 2012, the registered office of the Company is Carinthia House, 9-12 The Grange, St Peter Port, Guernsey GY1 4BF.

## Dividends

The Directors do not propose the payment of a dividend.

## Independent Auditors

PricewaterhouseCoopers CI LLP were re-appointed as independent auditors during the year. A resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

## Shareholder Relations

Shareholder communications are a high priority for the Board. The Managers produce a monthly fact sheet which is



distributed to shareholders and released to the London Stock Exchange. Members of the Managers' Investment Committee make themselves available at all reasonable times to meet with principal shareholders and key sector analysts. Feedback from these sessions is provided by the Managers to quarterly Board meetings.

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

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

### Substantial Interests

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

## STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

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

Guernsey company law requires the Directors to prepare financial 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 Company and of the profit or loss of the Company 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 Company 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 Company 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 Company 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 as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

We also confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole as required by Disclosure and Transparency Rules ("DTR") 4.1.12R; and
- the Chairman's Statement, Corporate Actions and Managers' Report (together referred to as the "Management Report") includes a fair review of the development and performance of the business and the position of the Company 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: 7 October 2013

# Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF J.P. MORGAN PRIVATE EQUITY LIMITED

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of J.P. Morgan Private Equity Limited ("the Company") which comprise the Statement of Financial Position as of 30 June 2013 and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2013, and of its financial performance and its cash flows for the year then

ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Financial Summary, Historical Performance, Overview and Strategy, Investment Policy, Chairman's Statement, Corporate Actions, Managers' Report and Directors' Report.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters which we are required to review under the Listing Rules:

- the Directors' statement set out on page 23 in relation to going concern and;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

#### John Patrick Roche

*For and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Recognised Auditor  
Guernsey, Channel Islands*

8 October 2013

The maintenance and integrity of the J.P. Morgan Private Equity Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from the legislation in other jurisdictions.

# Statement of Comprehensive Income

## for the year ended 30 June 2013

	Notes	30 June 2013 \$'000	30 June 2012 (Restated) \$'000
<b>Income</b>			
Interest and distribution income	4	5,501	2,650
Other net changes in fair value of financial assets and financial liabilities through profit or loss	7	(9,479)	(76,574)
Realised foreign currency gain on forward contracts and share transactions		2,572	2,639
<b>Total net loss</b>		<b>(1,406)</b>	<b>(71,285)</b>
<b>Expenses</b>			
Investment management fee	18	(6,168)	(6,992)
Accounting and administrative fee	18	(246)	(1,083)
Audit fee		(295)	(188)
Directors' fees	20	(157)	(183)
Other expenses	6	(3,253)	(5,448)
<b>Total Expenses</b>		<b>(10,119)</b>	<b>(13,894)</b>
<b>Net loss before finance costs</b>		<b>(11,525)</b>	<b>(85,179)</b>
<b>Finance costs</b>			
Loan interest payable	5	(1,753)	(1,989)
ZDP interest payable	15	(14,436)	(12,194)
Unrealised foreign currency gain	8	1,945	8,913
<b>Loss before tax</b>		<b>(25,769)</b>	<b>(90,449)</b>
Tax expense	1	–	–
<b>Loss for the year</b>		<b>(25,769)</b>	<b>(90,449)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive loss for the year</b>		<b>(25,769)</b>	<b>(90,449)</b>
<b>Earnings per share</b>			
Basic and diluted losses per share	19	\$(0.07)	\$(0.23)

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

The notes on pages 34 to 68 form an integral part of these financial statements.

# Statement of Financial Position

as at 30 June 2013

	Notes	30 June 2013 \$'000	30 June 2012 (Restated) \$'000	1 July 2011 (Restated) \$'000
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	11	533,935	627,494	659,575
<b>Current assets</b>				
Cash and cash equivalents	3	13,032	18,812	36,986
Receivables	9	1,134	1,684	3,298
Derivative financial assets	13	378	–	–
		14,544	20,496	40,284
<b>Current liabilities</b>				
Payables and accruals	10	(2,229)	(2,442)	(9,547)
Derivative financial liabilities	13	–	(998)	(1,939)
Zero dividend preference shares	15	–	(67,503)	–
Net current assets/(liabilities)		12,315	(50,447)	28,798
<b>Non-current liabilities</b>				
Payables and accruals	10	(200)	(400)	–
Loan balances	14	(55,323)	(44,368)	(74,173)
Zero dividend preference shares	15	(107,859)	(101,878)	(130,628)
		(163,382)	(146,646)	(204,801)
<b>Net Assets</b>		<b>382,868</b>	<b>430,401</b>	<b>483,572</b>
<b>Represented by:</b>				
Share capital	16	467,108	488,872	451,594
Reserves	16	(84,240)	(58,471)	31,978
<b>Total equity</b>		<b>382,868</b>	<b>430,401</b>	<b>483,572</b>
NAV per Equity share	22	\$1.11	\$1.13	\$1.36

The financial statements on pages 29 to 68 are approved by the Board of Directors on 7 October 2013 and are signed on its behalf by:

**Trevor Ash**  
Director

**Chris Spencer**  
Director

The notes on pages 34 to 68 form an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2013

	Share capital \$'000	Reserves \$'000	Total \$'000
<b>At 1 July 2012</b>	488,872	(58,471)	430,401
Loss for the year (Note 16)	–	(25,769)	(25,769)
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>(25,769)</b>	<b>(25,769)</b>
Share buy backs (Note 16)	(21,764)	–	(21,764)
<b>Total transactions with owners of the Company for the year ended 30 June 2013</b>	<b>(21,764)</b>	<b>–</b>	<b>(21,764)</b>
<b>At 30 June 2013</b>	<b>467,108</b>	<b>(84,240)</b>	<b>382,868</b>

The notes on pages 34 to 68 form an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2012

	Share capital \$'000	Reserves \$'000	Total \$'000
<b>At 1 July 2011</b>	451,594	29,057	480,651
Effect of change in accounting policy	–	2,921	2,921
<b>At 1 July 2011 (Restated)</b>	451,594	31,978	483,572
Loss for the year (Note 16)	–	(90,449)	(90,449)
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>(90,449)</b>	<b>(90,449)</b>
Share buy backs (Note 16)	(9,061)	–	(9,061)
Shares issue	59,934	–	59,934
Tender offer (Note 16)	(13,597)	–	(13,597)
Shares issued on warrant conversion (note 17)	2	–	2
<b>Total transactions with owners of the Company for the year ended 30 June 2012</b>	<b>37,278</b>	<b>–</b>	<b>37,278</b>
<b>At 30 June 2012 (Restated)</b>	<b>488,872</b>	<b>(58,471)</b>	<b>430,401</b>

The notes on pages 34 to 68 form an integral part of these financial statements.



# Statement of Cashflows

## for the year ended 30 June 2013

	Notes	2013 \$'000	2012 (Restated) \$'000
<b>Operating activities</b>			
Loss for the year		(25,769)	(90,449)
Adjustments for:			
Interest income	4	(59)	(34)
Distributions from investments	4	(5,442)	(2,616)
Interest expense	5,15	16,189	14,183
Net derivative gains	7	(1,375)	(1,260)
Net losses on financial assets and financial liabilities through profit or loss	7	10,854	77,834
Unrealised foreign currency gain		(1,945)	(8,913)
Realised foreign currency gain on redemption of ZDP 2013 shares		(997)	–
<b>Operating cash flows before changes in working capital</b>		<b>(8,544)</b>	<b>(11,255)</b>
Decrease in receivables		519	1,471
Decrease in payables		(268)	(29)
<b>Cash used in operations</b>		<b>(8,293)</b>	<b>(9,813)</b>
<b>Investing activities</b>			
Purchase of investments		(34,790)	(36,404)
Net proceeds from sale of non-current financial assets		117,381	76,934
Interest received	4	59	34
Other income distributions from investments	4	5,442	2,616
<b>Cash from investing activities</b>		<b>88,092</b>	<b>43,180</b>
<b>Financing activities</b>			
Proceeds on issue of equity shares	16	–	2
Equity shares buy back	16	(21,764)	(22,658)
Loans received		38,824	71,030
Loans paid		(29,513)	(94,238)
Interest paid		(1,784)	(2,340)
Loan arrangement fee paid		–	(1,200)
Buyback of Zero Dividend Preference shares		(71,709)	(1,652)
<b>Cash used in financing activities</b>		<b>(85,946)</b>	<b>(51,056)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,147)</b>	<b>(17,689)</b>
Cash and cash equivalents at beginning of year		18,812	36,986
Effects of exchange difference arising from cash and cash equivalents		367	(485)
<b>Cash and cash equivalents at end of the year<sup>1</sup></b>		<b>13,032</b>	<b>18,812</b>

The notes on pages 34 to 68 form an integral part of these financial statements.

# Notes to the Financial Statements

## for the year ended 30 June 2013

### 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, 2008. As at 30 June 2013, the Company’s capital structure consisted of three classes of shares, US\$ equity shares and two series of Zero Dividend Preference shares, all of which are listed on the London Stock Exchange.

The primary objective of the Company is to achieve capital growth, with income as a secondary objective, from a diversified portfolio consisting predominantly of private equity limited partnership interests. The Company may also invest directly in private equity investments.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except for the early adoption of standards and amendments as noted below and in Note 24.

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued and adopted by the International Accounting Standards Board (the “IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee. They give a true and fair view and are in compliance with applicable legal and regulatory requirements of The Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority.

#### Standards and amendments effective for annual periods beginning on or after 1 January 2013 that have been early adopted by the Company

The Company has early adopted IFRS 10, ‘Consolidated financial statements’, IFRS 11, ‘Joint arrangements’, IFRS 12, ‘Disclosure of interests in other entities’, IAS 27 (revised 2011), ‘Separate financial statements’ and IAS 28 (revised 2011), ‘Investments in associates and joint ventures’, and the Transition Guidance amendments to IFRS 10, 11 and 12 all effective 1 January 2013. The Company has also early adopted the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 (the “Amendments”) which are effective 1 January 2014.

IFRS 10 ‘Consolidated financial statements’ and Amendments to IFRS 10: The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The amendments to IFRS 10 define an investment entity and introduce an exemption from the consolidation requirements for investment entities.

The Company has determined that it meets the definition of an investment entity and as a result, the Company has changed its accounting policy with respect to its investment in its subsidiaries. The subsidiaries, which were previously consolidated, are now accounted for at fair value through profit or loss. This change in accounting policy has been applied retrospectively in accordance with the transition provisions of IFRS 10 and the Amendments to IFRS 10. The transition provisions require retrospective application in accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. However, they specify that an entity needs only to present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application.

IFRS 12, ‘Disclosure of interests in other entities’ and amendments to IFRS 12: The standard requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities will also be required to provide more disclosures around certain ‘structured entities’. The amendments also introduce new disclosure requirements related to investment entities. Adoption of the standard has impacted the Company’s level of disclosures in certain of the above noted areas, but has not impacted the Company’s financial position or results of operations.

IAS 27 (revised 2011), ‘Separate financial statements’ and amendments to IAS 27: The objective of the standard is to prescribe the accounting and disclosure requirements when an entity prepares separate financial statements. The Amendments require an investment entity as defined in IFRS 10 to present separate financial statements as its only financial statements in the case where it measures all of its subsidiaries at fair value through profit or loss and to disclose that fact.

IFRS 11, ‘Joint arrangements’ and IAS 28 (revised 2011), ‘Investments in associates and joint ventures’ and related amendments have also been early adopted, however, these standards have had no impact on the Company.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time in the financial year beginning 1 July 2012 that would be expected to have a material effect on the Company.

### **New standards and interpretations not yet adopted by the Company**

A number of new standards, amendments to standards and interpretations in issue are not yet effective for the year ended 30 June 2013, and have not been applied in preparing these financial statements. The Directors are considering the potential effect of the implementation of the new standards.

*IFRS 9: Financial Instruments* (effective for accounting periods beginning on or after 1 January 2015)

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

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

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

The standard is not applicable until 1 January 2015 but is available for early adoption.

The Directors of the Company are currently in the process of evaluating the potential effect of this standard.

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

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

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

This standard is applicable for periods beginning 1 January 2013 but is available for early adoption.

The Company has decided not to early adopt IFRS 13, and does not expect this to have a significant effect on the Company's financial statements.

### **Basis of preparation**

These financial statements have been prepared on a going concern basis in US Dollars under the historical cost convention except for investments and derivative financial instruments that are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Other financial assets and financial liabilities including receivables, payables, accruals, loans and zero dividend preference shares are stated at amortised cost.

The preparation of 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*.

These financial statements are the only financial statements presented by the Company.

# Notes to the Financial Statements continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Investment entity

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- The Company has obtained funds for the purpose of providing investors with investment management services.
- The Company's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the use of investment vehicles.
- The performance of investments made through the investment vehicles are measured and evaluated on a fair value basis.
- The Company has more than one investment and more than one investor.
- The Company has investors who are not its related parties.
- The Company has ownership interests in the form of equity.

### Subsidiary

Please refer to Note 12 for details of the Company's subsidiaries.

### Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company 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 statement of financial position and statement of comprehensive income when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

#### (i) Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. All purchases of financial assets are recorded at trade date, being the date on which the Company became party to the contractual requirement of the financial asset. The Company'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 Company's financial assets approximate to their fair values.

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

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

Investments in subsidiaries are valued at the fair value of the Company's percentage holding based on the net asset values of the subsidiaries. The Company reviews the net asset values of the subsidiaries to make any adjustments in order to obtain the best estimate of fair value. Other net changes in fair value of financial assets and financial liabilities through profit or loss in the Statement of Comprehensive Income include the change in fair value of the subsidiaries.

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

The valuation policies used by many of the private equity general partners and sponsors in undertaking such valuations are generally in line with the recommendations of either the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) or standard industry practice. Changes in fair value are recognised in the statement of comprehensive income under “Other net changes in fair value of financial assets and financial liabilities through profit or loss”.

Investments made by the Company are generally considered to be long term investments and are not intended to be disposed of on a short term basis. Accordingly, while the valuation at the year end represents the Directors’ best estimate of the realisable amount at the year end they do not necessarily represent the amounts which may eventually be realised from sales or other disposals of investments. The key estimates and assumptions used to arrive at the valuation of unlisted investments are stated on page 41.

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a Portfolio Fund’s level within the above hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the Portfolio Fund.

(b) *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise trade and other receivables. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

(c) *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently re-measured at their fair value.

The Company’s derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the statement of comprehensive income within “Other net changes in fair value of financial assets and financial liabilities through profit and loss”.

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

# Notes to the Financial Statements continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Financial instruments continued

#### (i) Financial assets continued

##### (d) *De-recognition of financial assets*

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

- When the Company has transferred substantially all the risk and rewards of ownership; or
- When it has neither transferred nor retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- When the contractual right to receive cash flow has expired.
- The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

#### (ii) Financial liabilities

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

##### (a) *Financial liabilities measured at amortised cost*

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

##### (b) *De-recognition of financial liabilities*

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

### Cash and cash equivalents

Cash comprises deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible within a three month maturity period 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.

### Zero Dividend Preference shares

Zero Dividend Preference shares ("ZDP shares") are classified as a liability in the financial statements. The ZDPs have a maturity date of either 31 October 2015 or 31 October 2017 and receive a fixed redemption yield of 8.45% and 8.48% respectively.

Each class of ZDP shares are initially recognised at their capital entitlement being fair value less issuance costs. Subsequent to the initial recognition, ZDP shares are carried at amortised cost using the effective interest rate method. Increases in the carrying value of ZDP shares due to accrued but unpaid interest are recognised in the statement of comprehensive income.

### Costs incurred for the issuance of ordinary shares

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

### Earnings per share

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



profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, and for the effects of the dilutive potential ordinary shares of the warrants outstanding.

### **Treasury Shares**

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

### **Provisions**

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

### **Other net changes in fair value of financial assets and financial liabilities through profit or loss**

Other net changes in fair value of financial assets and financial liabilities through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

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

### **Dividend and other distribution income**

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

### **Interest**

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

### **Expenses**

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

### **Performance Fees**

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

### **Segmental information**

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

Only one shareholder holds greater than 10% of the total number of US\$ equity shares in issue with a holding of approximately 12.6%.

The Board is charged with setting the Company’s investment strategy in accordance with the Company’s prospectus, dated 16 August 2011. They have delegated the day-to-day implementation of this strategy to the Managers but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The Managers have been given full authority to act on behalf of the Company in the management of the Company’s assets in accordance with the Amended and Restated Investment Management Agreement on behalf of the Company and to carry out other actions as appropriate to give effect thereto.

# Notes to the Financial Statements continued

## 1. SIGNIFICANT ACCOUNTING POLICIES continued

### Segmental information continued

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

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the NAV which is prepared on a monthly basis by Augentius (Guernsey) Limited (the "Administrator"). The NAV reported by the Administrator is prepared on a basis consistent with International Financial Reporting Standards.

The Company's financial assets held as of the year end and the geographical area the Company is invested into are presented in the table below. The Company does not hold any non-current assets other than financial instruments.

	2013		2012 (Restated)	
Region	\$'000	% of NAV	\$'000	% of NAV
Europe	268,782	50%	284,274	45%
North America	159,560	30%	204,499	33%
Asia	85,709	16%	117,671	19%
RoW	19,884	4%	21,050	3%
<b>Total</b>	<b>533,935</b>	<b>100%</b>	<b>627,494</b>	<b>100%</b>

### Foreign Exchange

#### Functional and presentation currency

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

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

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within "unrealised foreign currency gain".

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within "Other net changes in fair value of financial assets and financial liabilities through profit and loss".

### Taxation

The Company falls under the Zero-10 tax regime and has its investment income assessed for tax at a taxable rate of 0%.

### Offsetting

Financial instruments are offset and the net amount reported in the statement of financial position only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

## 2. 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.

### Valuation of investments

The Company has interests in various different types of investments including: investments in subsidiaries, unquoted investments in funds, direct investments in unquoted companies and direct investments in public companies.

#### Investments in subsidiaries

Investments in subsidiaries are based on the latest available net asset values of the subsidiaries. The Company reviews the net asset values and considers the liquidity of the subsidiaries or its underlying investments, value date of the net asset values and any restrictions on dividends from the subsidiaries. If necessary, the Company makes adjustments to net asset values of the subsidiaries to obtain the best estimate of its fair value.

#### Unquoted investments in funds

The unquoted investments in funds are valued in accordance with IPEVCG as set out in financial assets policy above.

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

Where no valuation is available from the general partner or an independent valuation agent the Directors and Managers will estimate the fair value in accordance with IPEVCG.

The public equity securities known to be owned within the purchased private equity fund are based on the most recent information reported to the Company by the general partners.

#### Direct investments in unquoted companies

Direct investments into unquoted investments are generally valued based on the fair value of each investment as reported by the respective management.

Direct investments into unquoted investments where no fair value is being provided to the Company by the management or sponsor are carried at fair value, as estimated by the Directors and Managers. In estimating fair value, the Directors and Managers also consider the value assigned to each investment by the lead investor (if any) with which the Company has co-invested, to the extent known.

The Directors and Managers also consider the estimated fair value based on the projected enterprise value at which the underlying company could be sold in an orderly disposition over a reasonable period of time and in a transaction between willing parties other than in a forced sale or liquidation. In these instances, market multiples considering specified financial measures (such as EBITDA, adjusted EBITDA, cash flow, net income, revenues or NAV) and/or a discounted cash flow or liquidation analysis can be used.

#### Direct investments in public companies

When valuing direct investments in public companies the Company uses the quoted market price at the reporting date.

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

## Notes to the Financial Statements continued

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

#### Introduction and overview

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

	2013 \$'000	2012 (Restated) \$'000
<b>Assets</b>		
Financial assets designated at fair value through profit or loss upon initial recognition:		
– Equity investments	533,935	627,494
– Held for trading – derivatives	378	–
Loans and receivables	14,166	20,496
<b>Total financial assets</b>	<b>548,479</b>	<b>647,990</b>
<b>Liabilities</b>		
Financial liabilities held for trading – derivatives	–	(998)
Financial liabilities measured at amortised cost	(165,611)	(216,591)
<b>Total financial liabilities</b>	<b>(165,611)</b>	<b>(217,589)</b>

This note presents information about the Company's exposure to each significant area of risk arising from holding financial instruments, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### Risk management framework

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

The primary investment objective is to achieve both short and long-term capital appreciation by investing in a well diversified portfolio of private equity fund interests purchased in the secondary market and sourced through the primary market. While the Company intends to make investments that will create long-term value for shareholders, the investments made may not appreciate in value and, in fact, may decline in value. Moreover, the Company's historical financial performance, in particular its Net Asset Value, reflects unrealised gains on investments as of applicable measurement dates which may never be realised due to many factors, some of which are not in the Company's control, which may adversely affect the ultimate value realised from the Company's investments. The success of any of the investments in the portfolio will depend upon:

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

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

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

Please refer to the Company's prospectus dated 16 August 2011 for further risk disclosures.

## Market risk

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

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

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

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

## Management of market risks

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

The Managers work to mitigate risk by building a diversified portfolio, focusing on achieving a balance across managers, investment styles, industrial sectors and geographical focus. The Managers will also seek to invest in funds created during different vintage years to dampen systemic economic conditions that may impact the private equity market in any given year. Details of the nature of the Company's investment portfolio at the reporting date are disclosed in the Portfolio Review on pages 16 to 22.

The Managers invest on a highly selective basis and seek opportunities with high quality private equity investment firms that have proven track records and capabilities. The Managers will validate a given firm's underlying investment thesis and evaluate its ability to successfully invest in private equity prior to proceeding with any investment. In addition, the Company's secondary investment strategy enables the Managers to evaluate specific private equity assets.

This permits the Managers to diversify its portfolio at the Company level as well as the fund manager level and to determine that assets are purchased at valuations acceptable to the Managers. The Managers actively manage the investment portfolio by meeting with private equity sponsors to discuss current and prospective investments.

## Exposure to interest rate risk

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

# Notes to the Financial Statements continued

## 3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES continued

### Exposure to interest rate risk continued

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

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

As at 30 June 2013, all of the Company's direct corporate borrowings were from its US\$150 million secured credit facility, of which US\$55.3 million was drawn as at 30 June 2013 (2012: US\$44.4 million). This capital is a floating rate debt with the interest expenses incurred from this facility based on the US Dollar London Interbank Offer Rate (LIBOR) or Euro Interbank Offered Rate (EURIBOR) as applicable.

The majority of the Company'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 Company 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 Company variable loans and cash deposits. It is not significantly exposed to interest rate risk on its assets and liabilities.

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

Recourse on external borrowings will only be undertaken if the Directors and the Managers consider the prevailing interest rates favourable and that the terms and conditions attaching to such borrowings are acceptable, having regard to the investment objective and policy of the Company.

Such borrowings are also limited in size by the Company's internal policies. During the current year a shareholder resolution was passed amending the Company's borrowing powers to 30% of Total Assets, as defined in the Company's Articles of Incorporation. The Company's overall interest risks and day-to-day decision making are managed on an ongoing basis by the Managers in accordance with its internal policies. The Board of Directors is consulted on a quarterly basis, or more frequently as the case may be.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date analysed by financial assets and liabilities of fixed and variable rate instruments.

	30 June 2013 \$'000	30 June 2012 (Restated) \$'000
<b>Fixed rate instruments</b>		
Financial liabilities	(107,859)	(169,381)
	<b>(107,859)</b>	<b>(169,381)</b>
<b>Variable rate instruments</b>		
Financial assets	13,410	18,812
Financial liabilities	(55,323)	(45,366)
	<b>(41,913)</b>	<b>(26,554)</b>
<b>Total interest sensitivity gap</b>	<b>(149,772)</b>	<b>(195,935)</b>



An increase in 100 basis points in interest rates as at the reporting date would have decreased shareholders equity by \$419,000 (2012: \$266,000). A decrease of 100 basis points would have had an equal but opposite effect. Moreover, the average outstanding loan and cash balances for the fiscal year ended 30 June 2013 may differ materially from the fiscal year ended 30 June 2012, which would impact the results of the sensitivity analysis.

### Exposure to currency risk

Currency risk arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of the Company's assets and liabilities, the Net Asset Value and the market price of the US\$ equity shares. The Company's functional currency is the US Dollar. As a result foreign currency assets and liabilities will be translated to US Dollars. The Company 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 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 Company reports from time to time and could subject such Net Asset Values to favourable or unfavourable fluctuations. Among the factors that may affect currency values are trade balances, levels of short term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

The Company currently has a currency hedge in place to partially mitigate fluctuations in its foreign exchange exposure. The Managers may engage in currency hedging to limit the Company's exposure to currency fluctuations. Currency hedging by the Managers may be by means of spot and forward foreign exchange contracts or options on such contracts or by using such other derivative instruments as may be available and having the same or similar effect. To date, the Company has employed put options, spot and forward foreign exchange contracts.

During the year the Company realised a foreign currency gain of \$2,572,000 (2012: \$2,639,000). This was largely a result of the currency hedges placed to mitigate the Company's exposure to the Euro and the redemption of ZDP 2013 shares.

The success of any hedging or other derivative transactions that the Company may enter into will generally depend on its ability to correctly predict market changes. As a result, while the Company may enter into such transactions for a particular class of shares in order to reduce its exposure to currency fluctuations, unanticipated market changes may negatively affect the outcome of such transactions. The Company is also subject to the risk that counterparties in any hedging or other derivative transactions will be unable or unwilling to perform their obligations.

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

A substantial portion of the Company's underlying investments are denominated in Euros, Australian Dollars, and US Dollars. Any distributions in respect of the ZDP shares will be made in Sterling and the market prices and Net Asset Values of the ZDP shares are reported in Sterling. Any distributions in respect of the US\$ equity shares have been made in US Dollars and the market prices and Net Asset Values of the US\$ equity shares are reported in US Dollars.

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

At the reporting date the carrying value of the Company's financial assets and financial liabilities held in individual foreign currencies as a percentage of its net assets were as follows:

Currency	2013	2012 (Restated)
Euro	43%	34%
Sterling	(19%)	(28%)
Australian Dollar	13%	13%
	<b>37%</b>	<b>19%</b>

## Notes to the Financial Statements continued

### 3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES continued

#### Exposure to currency risk continued

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

	2013			
	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Net exposure \$'000
Euro	221,589	(55,323)	–	166,266
Sterling	33,566	(107,859)	–	(74,293)
Australian Dollar	69,206	–	(23,749)	45,457

	2012 (Restated)			
	Financial assets \$'000	Financial liabilities \$'000	Forward FX contracts \$'000	Net exposure \$'000
Euro	216,746	(44,369)	(25,316)	147,061
Sterling	46,699	(169,380)	–	(122,681)
Australian Dollar	82,346	–	(25,583)	56,763

Amounts on the above table are based on the carrying value of monetary assets and liabilities and the underlying principal amount of forward currency contracts. Based on the standard deviation of currency fluctuations, the volatility of each currency has been assessed at the year end; had the reporting currency of each investment (where the functional currency is not USD) strengthened by the following amounts in relation to the other currencies, shown in the table below with all other variables held constant, shareholders' equity and profit and loss would have decreased/(increased) by the amounts shown below:

	Standard Deviation	
	2013	2012 (Restated)
USD	%	%
Euro	3	7
Sterling	2	5
Australian Dollar	4	10

	2013	2012 (Restated)
	\$'000	\$'000
Euro	5,321	10,000
Sterling	(1,486)	(5,521)
Australian Dollar	1,636	5,506
<b>Total</b>	<b>5,471</b>	<b>9,985</b>

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

#### Exposure to other price risk

Other price risk is the risk that the 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 Company's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market condition will directly affect net gains on investments and Net Asset Value.

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

The Company also has direct exposure to assets that are publicly traded on various equity markets. These represent 0.74% (2012: 0.93%) of the Company's portfolio value as at 30 June 2013. 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 month to month. The Managers believe these assets will continue to make up a minority position in the portfolio.

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

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

	2013 \$'000	2012 (Restated) \$'000
Derivative financial instruments	378	–
Cash and cash equivalents	13,032	18,812
Receivables	1,134	1,684
<b>Total</b>	<b>14,544</b>	<b>20,496</b>

In respect of credit risk arising from cash and cash equivalents, the Company'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 Company's cash is maintained with Lloyds Bank (formerly Lloyds TSB Bank plc) and ING Luxembourg SA. In addition, the Managers monitor the financial position of both banks on an ongoing basis by reviewing earnings releases. As at 30 June 2013 the long term credit ratings for Lloyds Bank is A2 according to Moody's. In the event that the credit quality of either bank deteriorates significantly, the Managers will move the cash holdings to another bank. Substantially all of the cash assets of the Company are held by Lloyds Bank. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial position of the custodian the Company uses. No financial assets were part due or impaired at 30 June 2013 or 30 June 2012.

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

### Liquidity risk

The Company's financial instruments primarily include investments in unlisted equity investments that are not publicly traded and therefore may be illiquid. As a result the Company 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 and other obligations as and when these fall due.

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

# Notes to the Financial Statements continued

## 3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES continued

### Liquidity risk continued

The Company'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 Company may otherwise be able to invest in private equity or reduce outstanding indebtedness.

The Company has entered into a US\$150 million revolving loan facility agreement with Lloyds Bank which will provide the Company with both short-term and long-term liquidity. Per the credit agreement, the Company and the lender monitor the loan covenants on a quarterly basis. As at 30 June 2013, the Company was in compliance with all such covenants. The loan will mature in January 2017.

The Company also maintains cash and cash equivalents in excess of what the Managers believe will be required in the coming quarters. The Company currently holds cash and cash equivalents of US\$13 million. The Managers pursue an investment strategy with respect to all un-invested cash in the Company Portfolio that is designed to balance the need for appropriate liquidity to meet its present and future private equity commitment obligations with the desire to increase the returns of the Company Portfolio.

The investment commitments presented in note 11 represent commitments to commit capital to underlying investments as such time as the managers of those assets request. The precise timing of future calls, and whether such calls will be made at all, is at the discretion of the investment managers of each individual asset within the investment portfolio.

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

	2013					
	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
Financial liabilities						
Other payables	2,429	2,429	2,229	–	–	200
Loans	55,323	55,284	–	–	–	55,284
ZDP shares	107,859	138,606	–	–	–	138,606
	<b>165,611</b>	<b>196,319</b>	<b>2,229</b>	<b>–</b>	<b>–</b>	<b>194,090</b>

	2012 (Restated)					
	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
Financial liabilities						
Other payables	2,842	2,842	2,442	–	–	400
Derivatives	998	998	998	–	–	–
Loans	44,368	44,303	–	–	–	44,303
ZDP shares	169,381	215,527	–	–	72,410	143,117
	<b>217,589</b>	<b>263,670</b>	<b>3,440</b>	<b>–</b>	<b>72,410</b>	<b>187,820</b>

### 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 Company's reported NAV are made, in part, on valuation information provided by the managers of investments in the Company's portfolio. The Managers are reliant on pricing provided by the underlying managers or general partners. If other factors lead the Managers to conclude that fair value provided by the underlying managers or general partners does not represent actual fair value, the Managers will adjust the value of the investment from the underlying managers and general partners' estimate.

(b) **Reliance on Managers**

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

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

The NAV of the Company'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.

#### 4. INTEREST AND DISTRIBUTION INCOME

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

	2013 \$'000	2012 (Restated) \$'000
Interest income from financial assets that are not at fair value through profit or loss:		
Cash and cash equivalents	59	34
Distributions from financial assets at fair value through profit or loss:		
Private equity investments	5,442	2,616
	<b>5,501</b>	<b>2,650</b>

#### 5. LOAN INTEREST PAYABLE

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

	2013 \$'000	2012 (Restated) \$'000
Interest expense from financial instruments that are not at fair value through profit or loss:		
Financial liabilities at amortised cost	<b>1,753</b>	<b>1,989</b>

#### 6. OTHER EXPENSES

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

	2013 \$'000	2012 (Restated) \$'000
Legal and professional fees	247	779
Travel expenses	115	358
Bank charges	1	1
Sundry expenses	2,890	4,310
	<b>3,253</b>	<b>5,448</b>

## Notes to the Financial Statements continued

### 7. OTHER NET CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THROUGH PROFIT OR LOSS

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

	2013 \$'000	2012 (Restated) \$'000
<b>Designated at fair value through profit or loss</b>		
Investment portfolio	(10,854)	(77,834)
<b>Held for trading</b>		
Derivative financial instruments	1,375	1,260
<b>Net loss from financial assets and liabilities at fair value through profit or loss</b>	<b>(9,479)</b>	<b>(76,574)</b>

### 8. UNREALISED FOREIGN CURRENCY GAIN

The following table details the unrealised foreign currency gains and losses during the year:

	2013 \$'000	2012 (Restated) \$'000
Cash and cash equivalents	367	(485)
ZDP loan	3,252	3,143
Lloyds loan	(1,675)	6,247
Other	1	8
	<b>1,945</b>	<b>8,913</b>

### 9. RECEIVABLES

The following table details the receivables at the reporting date:

	2013 \$'000	2012 (Restated) \$'000
Accrued distributions	–	31
Other receivables	1,134	1,653
	<b>1,134</b>	<b>1,684</b>



## 10. PAYABLES AND ACCRUALS

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

	2013 \$'000	2012 (Restated) \$'000
Administration fee (note 18)	500	448
Audit fee	237	139
Management fee (note 18)	931	1,078
Directors fees	–	79
Accrued calls	719	864
Other fees	42	234
	<b>2,429</b>	<b>2,842</b>
<b>Maturity profile</b>		
Due within one year	2,229	2,442
Due after more than one year	200	400

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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 Company's investments the fair value losses recognised in these financial statements are not considered to be readily convertible to cash in full at the reporting date and therefore the movement in these fair values are treated as unrealised.

### Commitments

The Company has committed to invest in certain private equity funds and investments. Such commitments are payable upon demand at the request of the fund's administrator or general partner. As of 30 June 2013, the Company held interests in private equity funds, including fund-of-funds, direct co-investments and publicly traded equity securities and had unfunded commitments to private equity funds of \$79,343,038 (2012 \$99,681,953) that may be called by the underlying limited partnerships. In addition, the Company may make capital commitments to private equity funds in the future and may make purchases of existing private equity funds in the secondary market, many of which will be subject to additional funding requirements.

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

Because the managers of private equity funds will typically be permitted to make calls for capital contributions following the expiration of a relatively short notice period, employing an over-commitment approach requires the Company to time investments and manage available cash in a manner that allows the funding of its capital commitments when capital calls are made. The Managers are primarily responsible for managing the Company's cash and the timing of its investments. The Managers take into account current cash balances and expected cash flows when planning investment and cash management activities with the objective of seeking to ensure that the Company is able to honour its commitments to funds when they become due.

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

## Notes to the Financial Statements continued

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

#### Commitments continued

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

	2013 \$'000	2012 (Restated) \$'000
Fair value at beginning of the year	627,494	659,575
Purchase of investments and funding of capital calls	34,652	32,354
Distributions from limited partnership interests and proceeds from disposal of investments	(76,038)	(83,996)
Net fair value movement in the year (including foreign exchange gains and losses)	(52,173)	19,561
<b>Fair value at the end of the year</b>	<b>533,935</b>	<b>627,494</b>
<b>Reconciliation of accumulated unrealised (losses)/gains movements</b>		
Accumulated unrealised losses at beginning of the year	(32,456)	(52,017)
Net unrealised (losses)/gains in the year (including foreign exchange gains and losses)	(52,173)	19,561
<b>Accumulated unrealised losses at the end of the year</b>	<b>(84,629)</b>	<b>(32,456)</b>

Details of underlying Portfolio Funds are presented in the supplementary schedule of investments in note 23.

The following table summarizes the valuation of the Company's investments by the 3 level hierarchies as of 30 June 2013:

	2013			
	Total \$'000	Level I \$'000	Level II \$'000	Level III \$'000
Investments at fair value through profit or loss:				
Portfolio Funds and subsidiaries	533,935	3,934	–	530,001
Derivative instruments	378	–	378	–
<b>Total financial assets at fair value</b>	<b>534,313</b>	<b>3,934</b>	<b>378</b>	<b>530,001</b>
	2012 (Restated)			
	Total \$'000	Level I \$'000	Level II \$'000	Level III \$'000
Investments at fair value through profit or loss:				
Portfolio Funds and subsidiaries	627,494	5,861	–	621,633
<b>Total financial assets at fair value</b>	<b>627,494</b>	<b>5,861</b>	<b>–</b>	<b>621,633</b>
Financial liabilities at fair value through profit or loss:				
Derivative instruments	(998)	–	(998)	–
	<b>626,496</b>	<b>5,861</b>	<b>(998)</b>	<b>621,633</b>

The Portfolio Funds represent interest in:

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

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

Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of each Portfolio Fund, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the Company were to sell a Portfolio Fund in the secondary market, the sale could occur at an amount different than the reported fair value, and the difference could be material. The Company does not have any intention to sell the Portfolio Funds as at 30 June 2013. The Company expects to receive distributions from the Portfolio Funds as the underlying investments of the Portfolio Funds are sold. The timing of such liquidations is uncertain.

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

Any transfers between Level I and Level III are shown in the table below.

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

	2013 \$'000	2012 (Restated) \$'000
Fair value at beginning of the year	621,633	645,630
Purchase of investment and funding of capital calls	34,079	30,368
Transfers from Level 1	1,769	–
Distributions from limited partnership interests	(76,038)	(83,970)
Net fair value movement in the year (including foreign exchange gains and losses)	(51,442)	29,605
<b>Fair value at the end of the year</b>	<b>530,001</b>	<b>621,633</b>

A reconciliation of the Level III portfolio gains or losses included in profit or losses for the year ended 30 June 2013 are as follows:

	2013 \$'000	2012 (Restated) \$'000
<b>Reconciliation of accumulated unrealised (losses)/gains movements</b>		
Accumulated unrealised losses at beginning of the year	(23,780)	(53,385)
Net unrealised (losses)/gains in the year (including foreign exchange gains and losses)	(51,442)	29,605
<b>Accumulated unrealised losses at the end of the year</b>	<b>(75,222)</b>	<b>(23,780)</b>

Total realised and unrealised gains and losses recorded for Level III Portfolio Funds and subsidiaries, if any, are reported in "Other net changes in fair value of financial assets and financial liabilities through profit or loss" in the statement of comprehensive income.

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

## Notes to the Financial Statements continued

### 12. SUBSIDIARIES

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

Name	Country of Incorporation	% Holding	Principal activity
BSPEL Mezzanine Funding Limited ("BMFL")	Guernsey	100.0	Holding company
BSPEL/Migdal Mezzanine Limited ("BMML")	Guernsey	80.0	Holding company
BSPEL Australia Limited ("BSPEL Aus")	Guernsey	100.0	Holding company
BSPEL (Lux) S.a.r.l. ("BSPEL Lux")	Luxembourg	100.0	Holding company
JPEL TF Limited ("JPEL TF")	Guernsey	100.0	Holding company
Iberian Acquisition Holdings LLC ("Iberian Acq")	Delaware	100.0	Holding company
JPEL Convey Limited ("Convey")	Guernsey	100.0	Holding company
Back Bay (Guernsey) Limited ("Back Bay")	Guernsey	78.8	Holding company
JPEL Holdings Limited ("JPEL Holdings")	Guernsey	100.0	Holding company

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

BSPEL Australia Limited owns 100% of the issued trust units in Macquarie Private Capital Trust, an Australia registered trust which invests in 24 private equity partnerships and investment funds.

JPEL TF Limited is a limited partner in Terra Firma Deutsche Annington, L.P., a Guernsey limited partnership.

Iberian Acquisition Holdings LLC is a limited partner in Alia Capital Fund ICV, a Dutch limited partnership.

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

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative held is a forward currency contract.

Forward currency contracts are primarily used by the Company to hedge against foreign exchange rate risks on its non US dollar dominated trading securities. The Company 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 Company recognises a gain or loss equal to the change in fair value at the reporting date.

The following forward foreign exchange contract was unsettled at the reporting date:

2013					
Currency sold	Currency amount sold \$'000	Currency bought	Currency amount bought \$'000	Settlement date	Fair value \$'000
AUD	25,000	USD	23,218	1 Aug 2013	378
2012					
Currency sold	Currency amount sold \$'000	Currency bought	Currency amount bought \$'000	Settlement date	Fair value \$'000
AUD	25,000	USD	25,025	25 July 2012	(558)
EUR	25,000	USD	24,876	2 Aug 2012	(440)
					<b>(998)</b>

## 14. LOAN BALANCES

	2013 \$'000	2012 (Restated) \$'000
Lloyds Bank	55,323	44,368
<b>Maturity profile</b>		
Due after more than one year	55,323	44,368

The Company has entered into a multi-currency loan facility agreement with Lloyds Bank. The facility is for US\$150,000,000 and bears interest of US\$ LIBOR/EURIBOR + 330 bps on drawn amounts with a leverage of greater than 10% loan to value. At leverage rates of below 10% the loan bears interest of US\$ LIBOR/EURIBOR +285 bps. A flat 1% rate is paid on undrawn amounts.

The facility had an original term of approximately two years and was due to expire in May 2013. The facility was extended on 20 June 2012 and will now expire on 31 January 2017. The facility also contains a number of covenants that restrict total leverage and promote asset diversification. Specifically, the Company is limited to a leverage ratio of 30% of Total Assets. Furthermore, the asset base off of which the Company may borrow funds may be reduced if certain diversity criteria are breached; including geography, investment strategy, investment type, and company and manager concentration limitations. As at 30 June 2013, the Company's leverage ratio was 10.9% per the credit agreement and the Company was in compliance with all of the diversification restrictions. The facility is drawn down to €42,500,000 at 30 June 2013.

## 15. ZERO DIVIDEND PREFERENCE SHARES

The Company started the year with three classes of Zero Dividend Preference shares ("ZDP shares") which comprised the 2013 ZDP shares, 2015 ZDP shares and 2017 ZDP shares. During the year the Company repaid the ZDP 2013 shares in their entirety returning \$71,709,266 to shareholders. The Company ended the year with two classes of ZDP shares: 2015 ZDP shares and 2017 ZDP 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 October 2015. The effective interest rate is 8.45% p.a. based on the placing price of 50 pence per ZDP share. ZDP shares rank prior to the US\$ Equity Shares in respect of the repayment of their entitlement of up to 87.3 pence per ZDP share. However, they rank behind any borrowings made by the Company that remain outstanding. They carry no entitlement to income and the whole of their return takes the form of capital.

The holders of the 2017 ZDP shares are entitled to a redemption amount of 65 pence per ZDP share as increased daily at such a daily compound rate as would give a final entitlement of 107.10 pence on 31 October 2017. The effective interest rate is 8.48% p.a. based on the placing price of 65 pence per ZDP share. ZDP shares rank prior to the US\$ equity shares in respect of the repayment of their entitlement of up to 107.1 pence per ZDP share and pari passu to the 2015 ZDP shares and 2015 ZDP shares. However, they rank behind any borrowings made by the Company that remain outstanding. They carry no entitlement to income and the whole of their return takes the form of capital.

ZDP shareholders will not be entitled to receive any part of the revenue profits, including any accumulated revenue reserves of the Company on a winding-up.

## Notes to the Financial Statements continued

### 15. ZERO DIVIDEND PREFERENCE SHARES continued

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

	Number of shares	2013 \$'000
<b>Balance at start of year</b>	160,647,145	169,381
Tender offer	–	–
Retirement of ZDP 2013 Shares	(63,159,021)	(71,709)
Realised FX movement on retirement of ZDP 2013 Shares	–	(997)
Interest accretion	–	14,436
Unrealised FX movement	–	(3,252)
<b>Balance as at 30 June 2013</b>	<b>97,488,124</b>	<b>107,859</b>

	Number of shares	2012 \$'000
<b>Balance at start of year</b>	131,904,611	130,628
Tender offer	(1,668,219)	(1,652)
Initial offer of ZDP 2017 Shares	30,410,753	31,354
Interest accretion	–	12,194
Unrealised FX movement	–	(3,143)
<b>Balance as at 30 June 2012</b>	<b>160,647,145</b>	<b>169,381</b>

#### ZDP 2015 Shares

	Date	Number of shares
<b>Balance at start of year</b>		67,077,371
<b>Balance as at 30 June 2012</b>		67,077,371
Issue date	19 December 2008	
Valuation date	30 June 2013	
Days from issue	1,654	
Daily compound rate	0.0232434%	
Initial price	48.75 pence	
Price at valuation	71.6 pence	

#### ZDP 2017 Shares

	Date	Number of shares
<b>Balance at start of year</b>		30,410,753
<b>Balance as at 30 June 2012</b>		30,410,753
Issue date	12 September 2011	
Valuation date	30 June 2013	
Days from issue	657	
Daily compound rate	0.0222971%	
Initial price	65 pence	
Price at valuation	75.25 pence	

The interest charge accrued for the year on the ZDP shares was \$14,436,046 (2012: \$12,194,010).

On 5 September 2012 at the Company's AGM a special resolution was passed in relation to the ZDP shares

- The final capital entitlement ("FCE") dates of each of the Company's three classes of ZDP shares were amended as follows:



- The FCE date for JPEL's 2013 ZDP shares was amended to 28 April 2013.
- The FCE date for JPEL's 2015 ZDP shares is now 31 October 2015.
- The FCE date for JPEL's 2017 ZDP shares is now 31 October 2017.
- The minimum cover under the ZDP Test was increased from 1.3 times to 2.0 times, as defined in the Company's Articles.

At 30 June 2013 the fair value of the 2015 ZDP shares was \$80,982,091 (2012: \$76,775,444) and the fair value of the 2017 ZDP shares was \$40,472,911 (2012: \$37,252,868).

## 16. ISSUED SHARE CAPITAL AND RESERVES

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the share capital, zero dividend preference shares, warrants on US\$ equity shares and other reserves. The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objectives, both of which are detailed in the Overview & Strategy section on page 4 and Investment Policy on page 5. The Company also makes investments in individual companies by co-investing with private equity sponsors. These investments are generally illiquid and non-public. The Company does not have any externally imposed capital requirements. The Board of Directors also monitors the level of discount between the market price of its US\$ equity shares and the Company's NAV per share through open market purchases of shares held as discussed in more details below.

The Company attempts to minimise any discount between the market price of its US\$ equity shares and the Company's NAV 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 NAV per share to avoid dilution of existing shareholders. At the Annual General Meeting of 20 December 2007, the shareholders entitled the Board of Directors in accordance with the Companies (Purchase of Own shares) Ordinance, 1998, to make market purchases (within the meaning of section 5 of the said ordinance) of US\$ Equity Shares and zero dividend preference shares of up to 14.99% 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 US\$ equity shares during each financial year.

The balance of shares held in treasury at the year end was 66,267,252 (2012: 32,294,704) US\$ Equity and 2,344,176 (2012: 2,344,176) 2015 ZDP shares. At the year end no 2017 ZDP shares were held in treasury.

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

### Authorised share capital

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

### Issued share capital

The movement of the US\$ equity shares in the year was as follows:

	Date	Number of shares	Price
<b>Balance as at 30 June 2012</b>		380,348,706	
Share buyback	12 July 2012	(250,000)	\$0.68
Share buyback	27 July 2012	(400,000)	\$0.68
Share buyback	13 August 2012	(250,000)	\$0.68
Share buyback	28 August 2012	(250,000)	\$0.68
Share buyback	29 August 2012	(250,000)	\$0.68
Share buyback	30 August 2012	(1,000,000)	\$0.68
Share buyback	17 September 2012	(200,000)	\$0.65
Share buyback	16 November 2012	(31,372,548)	\$0.64
<b>Balance as at 30 June 2013</b>		<b>346,376,158</b>	

# Notes to the Financial Statements continued

## 16. ISSUED SHARE CAPITAL AND RESERVES continued

### Issued share capital continued

	Date	Number of shares	Price
<b>Balance as at 30 June 2011</b>		356,877,850	
Warrant conversion	8 July 2011	1,593	\$1.37
Share buyback	25 August 2011	(325,000)	\$0.95
Share buyback	30 August 2011	(180,000)	\$0.95
Share buyback	6 September 2011	(125,000)	\$0.96
Share buyback	6 September 2011	(160,000)	\$0.97
Share buyback	8 September 2011	(350,000)	\$0.99
Share buyback	8 September 2011	(350,000)	\$1.00
New Issue	12 September 2011	44,727,053	\$1.34
Share buyback	13 September 2011	(100,000)	\$1.00
Share buyback	13 September 2011	(150,000)	\$1.00
Share buyback	14 September 2011	(111,000)	\$1.00
Share buyback	16 September 2011	(176,000)	\$0.94
Share buyback	21 October 2011	(100,000)	\$0.83
Share buyback	21 October 2011	(50,000)	\$0.84
Share buyback	14 November 2011	(160,000)	\$0.86
Share buyback	15 November 2011	(200,000)	\$0.83
Share buyback	15 November 2011	(200,000)	\$0.83
Share buyback	16 November 2011	(100,000)	\$0.83
Share buyback	7 December 2011	(125,000)	\$0.86
Share buyback	8 December 2011	(90,000)	\$0.86
Share buyback	15 January 2012	(65,000)	\$0.87
Share buyback	17 January 2012	(100,000)	\$0.88
Share buyback	18 January 2012	(50,000)	\$0.88
Share buyback	10 February 2012	(400,000)	\$0.90
Share buyback	13 February 2012	(317,500)	\$0.90
Tender offer	23 February 2012	(10,706,290)	\$1.27
Share buyback	27 February 2012	(25,000)	\$0.90
Share buyback	18 March 2012	(250,000)	\$0.91
Share buyback	19 March 2012	(100,000)	\$0.91
Share buyback	21 March 2012	(750,000)	\$0.91
Share buyback	23 March 2012	(500,000)	\$0.91
Share buyback	30 March 2012	(192,000)	\$0.91
Share buyback	2 April 2012	(100,000)	\$0.91
Share buyback	17 April 2012	(1,000,000)	\$0.84
Share buyback	22 April 2012	(100,000)	\$0.84
Share buyback	30 April 2012	(500,000)	\$0.80
Share buyback	3 May 2012	(950,000)	\$0.79
Share buyback	11 May 2012	(250,000)	\$0.79
Share buyback	22 May 2012	(500,000)	\$0.78
Share buyback	25 May 2012	(500,000)	\$0.77
Share buyback	6 June 2012	(250,000)	\$0.75
Share buyback	25 June 2012	(250,000)	\$0.68
Share buyback	29 June 2012	(350,000)	\$0.66
<b>Balance as at 30 June 2012</b>		<b>380,348,706</b>	

The US\$ 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 payables have been paid and the accrued entitlement of the ZDP shares has been met.

### Reserve Accounts

The other reserves arise from the net gains from the revaluation of investments, interest from the Zero Dividend Preference shares and the accumulated losses from the operations of the Company.

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

	2013 \$'000	2012 (Restated) \$'000
<b>Accumulated losses for the year ended 30 June 2013</b>		
<b>Balance at 1 July</b>	(58,471)	31,978
Interest and dividend income	5,501	2,650
Expenses	(10,119)	(13,894)
Interest payable	(1,753)	(1,989)
Net foreign currency gains	4,517	11,552
ZDP interest	(14,436)	(12,194)
Net losses on investments	(9,479)	(76,574)
<b>Balance at 30 June</b>	<b>(84,240)</b>	<b>(58,471)</b>

## 17. SHAREHOLDER WARRANTS

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

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

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

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% 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% 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% 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% 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% premium to the NAV per US\$ Equity Share as at 30 June 2009)

At the year end there were 57,895,919 warrants outstanding. Subsequent to the year end, no warrants were exercised.

## Notes to the Financial Statements continued

### 18. MATERIAL AGREEMENTS

The Managers, Bear Stearns Asset Management Inc., J.P. Morgan Asset Management UK and JF International Management Inc. are entitled to a base management fee, payable monthly in arrears of 1.0% per annum of the Company's Total Assets. The management fee due for the year was \$6,168,033 (2012: \$6,991,990) and the amount payable at the end of the year was \$930,822 (2012: \$1,077,600).

The Managers are also entitled to a performance fee if the aggregate Net Asset Value of the US\$ 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%; 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% of the total increase in aggregate Net Asset Value above the performance hurdle. The performance fee paid during the year was \$NIL (2012: \$NIL).

On 4 July 2012 HSBC Management (Guernsey) Limited resigned as administrator, effective no later than 1 October 2012. HSBC Management (Guernsey) Limited was entitled to an annual fee in respect of administration and company secretarial services provided during the year before the date of resignation calculated on the Total Assets of the Company of 0.125% on the first \$100 million, 0.1% on the next \$50 million, 0.08% on the next \$50 million and 0.05% on the balance subject to a minimum of \$125,000. The fee was payable monthly in arrears. The administration fee due for the year is \$nil (2012: \$913,224) and the amount payable at the end of the year was \$400,000 (2012: \$673,347).

On 8 August 2012 the Guernsey Financial Services Commission approved Augentius (Guernsey) Limited as administrator and company secretary. Augentius (Guernsey) Limited is entitled to an annual fee in respect of accounting, company secretarial, administration and investment tracking services calculated on a flat fee basis of \$493,000 per annum. The fee is payable monthly in arrears. The administration and investment tracking fee due for the year is \$544,002 (2012: \$169,500) and the amount payable at the end of the year was \$99,965 (2012: \$48,250).

### 19. BASIC AND DILUTED LOSSES PER SHARE AND NET ASSET VALUE PER SHARE

The basic and diluted earnings per share is based on the net loss for the year of \$30,705,000 (2012: \$90,449,000). The weighted average number of US\$ equity shares in issue during the year for the Company was 358,556,927 (2012: 385,106,022).

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	Note	2013
Issued shares at 30 June 2012	16	380,349
Effect of shares issued on:		
12 July 2012	16	(242)
27 July 2012	16	(372)
13 August 2012	16	(221)
28 August 2012	16	(210)
29 August 2012	16	(210)
30 August 2012	16	(836)
17 September 2012	16	(157)
16 November 2012	16	(19,544)
<b>Weighted average number of ordinary shares at 30 June 2013</b>		<b>358,557</b>

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

The Net Asset Value per share is based on the Net Asset Value for the year of \$382,868,000 (2012: \$430,401,000). The total number of US\$ equity shares in issue during the year for the Company was 346,376,158 (2012: 380,348,706).

**Weighted average number of ordinary shares***In thousands of shares*

	Note	2012
Issued shares at 30 June 2011	16	356,878
Effect of shares issued on:		
8 July 2011	16	2
25 August 2011	16	(276)
30 August 2011	16	(150)
6 September 2011	16	(102)
6 September 2011	16	(131)
8 September 2011	16	(284)
8 September 2011	16	(284)
12 September 2011	16	35,782
13 September 2011	16	(80)
13 September 2011	16	(120)
14 September 2011	16	(88)
16 September 2011	16	(139)
21 October 2011	16	(69)
21 October 2011	16	(35)
14 November 2011	16	(100)
15 November 2011	16	(125)
15 November 2011	16	(125)
16 November 2011	16	(62)
7 December 2011	16	(71)
8 December 2011	16	(51)
15 January 2012	16	(30)
17 January 2012	16	(45)
18 January 2012	16	(22)
10 February 2012	16	(155)
13 February 2012	16	(120)
23 February 2012	16	(3,755)
27 February 2012	16	(8)
18 March 2012	16	(71)
19 March 2012	16	(28)
21 March 2012	16	(208)
23 March 2012	16	(136)
30 March 2012	16	(48)
2 April 2012	16	(24)
17 April 2012	16	(203)
22 April 2012	16	(19)
30 April 2012	16	(84)
3 May 2012	16	(151)
11 May 2012	16	(34)
22 May 2012	16	(53)
25 May 2012	16	(49)
6 June 2012	16	(16)
25 June 2012	16	(3)
29 June 2012	16	(1)
<b>Weighted average number of ordinary shares at 30 June 2012</b>		<b>385,106</b>

## Notes to the Financial Statements continued

### 20. RELATED PARTY TRANSACTIONS

JPMorgan Asset Management (UK) Limited, Bear Stearns Asset Management Inc. and JF International Management Inc. (the "Managers") are all related parties of the Company.

Please refer to Note 18 for a breakdown of investment management fees paid during the year.

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

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

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

### 21. POST BALANCE SHEET EVENTS

The Directors are not aware of any post balance sheet events which require further disclosure in the financial statements.

### 22. SUPPLEMENTARY NET ASSETS OF THE COMPANY

The following table reconciles unaudited 30 June 2013 NAV per US\$ Equity Share of \$1.09 as released on 12 August 2013 and audited NAV per US\$ Equity of \$1.09 referenced in the table above:

	2013 \$'000	Per share \$
Unaudited NAV released on 12 August 2013	378,515	1.09
Change in fair market value	4,353	0.02
<b>Audited NAV released on 7 October 2013</b>	<b>382,868</b>	<b>1.11</b>

### 23. SCHEDULE OF INVESTMENTS

Vehicle	Investment	2013 \$'000	2012 (Restated) \$'000
Back Bay	Stoneleigh Back Bau Associates LLC	5,929	5,911
BMFL/BMML*	BoS Mezzanine Partners, LP	50,388	57,607
BSPEL Aus	Macquarie Private Capital Trust	59,134	83,247
BSPEL Lux	Alto Capital II	5,242	5,434
BSPEL Lux	Realza Capital Fondo, FCR	1,784	1,132
Convey**	China Media Enterprises Limited	29,340	44,948
Iberian	Alia Capital Fund I C.V.	1,618	2,170
JPEL	10th Lane Finance Co., LLC	6,631	7,400
JPEL	Aksia Capital III	2,949	3,923
JPEL	Apollo International Real Estate Fund	729	670
JPEL	Apollo Investment Fund V, L.P.	761	2,066
JPEL	Apollo Real Estate Investment Fund IV, L.P.	239	1,044
JPEL	Argan Capital Fund	8,881	10,380
JPEL	Arlington Capital Partners II, L.P.	1,446	2,178
JPEL	Arrow Path Fund II, L.P.	1,585	1,324
JPEL	Avista Capital Partners (Offshore), L.P.	–	12,964
JPEL	Bain Capital Fund VI, L.P.	8	8
JPEL	BCP V Co-Investors	906	623



Vehicle	Investment	2013 \$'000	2012 (Restated) \$'000
JPEL	Beacon India Private Equity Fund	6,654	8,751
JPEL	Bear Stearns Global Turnaround Fund LP	17,647	28,397
JPEL	Bear Stearns Private Opportunity Ventures, L.P.	1,943	2,963
JPEL	Black Diamond Capital Management	7,109	5,009
JPEL	Blackstone Capital Partners IV, L.P.	–	3,411
JPEL	Blackstone Real Estate Partners IV, L.P.	1,498	1,499
JPEL	Blue River Capital I, LLC	6,452	9,277
JPEL	Candover 2001 Fund	346	329
JPEL	Candover 2005 Fund	2,153	2,163
JPEL	Clearwater Capital Partners Fund I, L.P.	2,368	2,904
JPEL	Clearwater Capital Partners Opportunities Fund (Cayman) Ltd.	238	266
JPEL	Colony Investors VI, L.P.	165	166
JPEL	CPC RD Investments LLC	1,264	2,805
JPEL	DFJ Esprit Capital III L.P.	2,213	1,303
JPEL	Dolphin Communications Fund II, L.P.	–	69
JPEL	Doughty Hanson & Co. Technology Fund	294	282
JPEL	Esprit Capital I Fund	4,882	5,596
JPEL	Gemini Israel III, L.P.	23	164
JPEL	Global Buyout Fund, L.P.	5,343	5,293
JPEL	Global Opportunistic Fund	4,139	4,403
JPEL	Green Investors III, L.P.	169	169
JPEL	Gridiron Capital Fund, L.P.	4,514	4,597
JPEL	Guggenheim Aviation Offshore Investment Fund II, L.P.	13,377	11,618
JPEL	Highstar Capital III Prism Fund, L.P.	4,760	4,881
JPEL	Hupomone Capital Fund, L.P.	2,255	2,610
JPEL	Hutton Collins Capital Partners II LP	2,565	2,920
JPEL	Industry Ventures Acquisition Fund, L.P.	2	3
JPEL	Industry Ventures Fund IV, L.P.	1,967	2,971
JPEL	Industry Ventures Fund V, L.P.	3,872	4,367
JPEL	Leeds Equity Partners IV Co-Investment Fund A, L.P.	3,274	4,060
JPEL	Leeds Equity Partners IV, L.P.	4,321	8,113
JPEL	Leeds Equity Partners V, L.P.	11,522	7,624
JPEL	Liberty Partners II, L.P.	21,203	18,004
JPEL	Life Sciences Holdings SPV I Fund L.P.	15,320	18,768
JPEL	Luxury Optical Holding Co.	2,543	1,926
JPEL	Main Street Resources I, L.P.	681	1,080
JPEL	Main Street Resources II, L.P.	2,750	3,743
JPEL	Markstone Capital Partners, L.P.	2,075	2,564
JPEL	Milestone 2010, L.P.	7,851	5,604
JPEL	Milestone Link Fund, L.P.	10,668	9,804
JPEL	Montague III L.P.	1,357	3,546
JPEL	Morning Street Partners, L.P.	801	818
JPEL	Nuance Communications, Inc	372	–

## Notes to the Financial Statements continued

### 23. SCHEDULE OF INVESTMENTS continued

Vehicle	Investment	2013 \$'000	2012 (Restated) \$'000
JPEL	Olympus Capital Asia III (Offshore), L.P.	–	2,330
JPEL	Omega Fund III, L.P.	3,807	5,836
JPEL	Oxford Bioscience Partners IV, L.P.	305	487
JPEL	Primopiso Acquisition S.a.r.l	21,457	17,552
JPEL	Private Equity Access Fund II Ltd	3,024	4,608
JPEL	Providence Equity Partners IV, L.P.	359	519
JPEL	Quadrangle Capital Partners, L.P.	821	888
JPEL	Strategic Value Global Opportunities Feeder Fund I-A, LP	1,754	3,025
JPEL	Strategic Value Global Opportunities Master Fund, LP	2,273	3,617
JPEL	SVE Star Ventures	244	567
JPEL	Targa Resources Corp.	288	32
JPEL	Terra Firma Deutsche Annington L.P.	2,800	1,905
JPEL	Thomas H. Lee Equity Fund V, L.P.	529	1,569
JPEL	Trumpet Feeder Ltd	2,739	4,639
JPEL	Warburg Pincus Private Equity VIII, L.P.	3,345	4,211
JPEL	Wellington Partners Ventures II GMBH & CO. KG (B)	1,030	1,032
JPEL	Wellington Partners Ventures III Life Science Fund L.P.	2,162	1,789
JPEL H	Aqua Resources Fund Limited	6,676	1,769
JPEL H	Britania Investments S.a.r.l	3,113	3,029
JPEL H	Gulf Healthcare International LLC	8,060	8,059
JPEL H	Industry Ventures Fund V-A, L.P.	6,430	5,445
JPEL H	Industry Ventures Fund VI, L.P.	2,301	1,599
JPEL	Omega Fund IV, L.P.	622	293
JPEL H	Parallel Ventures Limited Partnership and Parallel Private Equity Limited Partnership	36,842	63,151
JPEL TF	Terra Firma Deutsche Annington L.P. (JPEL TF Limited)	62,434	41,674
<b>Total market value of Investments held by the Company</b>		<b>533,935</b>	<b>627,494</b>

\* The value attributed to BoS Mezzanine Partners, LP represents the valuation of JPEL's interest in BMML. This comprises BoS Mezzanine Partners, LP, \$58,894,836 and net liabilities of \$8,506,831.

\*\* The value attributed to China Media Enterprises Limited represents the valuation of JPEL's interest in JPEL Convey Limited. This comprises China Media Enterprises Limited, \$35,425,122 and net liabilities of \$6,084,696.

Investment Vehicle	Abbreviation
JP Morgan Private Equity Limited	JPEL
Back Bay (Guernsey) Limited	Back Bay
BSPEL Australia Limited	BSPEL Aus
BSPEL Luxembourg SARL	BSPEL Lux
BSPEL Mezzanine Funding Limited	BMFL
BSPEL/Migdal Mezzanine Limited	BMML
Iberian Acquisition Holdings LLC	Iberian
JPEL Convey Limited	Convey
JPEL Holdings Limited	JPEL H
JPEL TF Limited	JPEL TF

## 24. CHANGE IN ACCOUNTING POLICY AND TRANSITION

As a result of the adoption of IFRS 10 and the amendments to IFRS 10, the Company has changed its accounting policy with respect to its investment in its subsidiaries. The subsidiaries which were previously consolidated are now accounted for at fair value through profit or loss. The transition provisions require retrospective application in accordance with IAS 8, however, specifies that an entity need only present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application. Comparative amounts have been restated in accordance with the transition guidance.

The following shows the adjustments made to each financial statement line item for the comparative period:

### Statement of Comprehensive Income

	Notes	30 June 2012 (Consolidated) \$'000	Adjustment	30 June 2012 (Restated) \$'000
<b>Income</b>				
Interest and distribution income	4	17,400	(14,750)	2,650
Other net changes in fair value of financial assets and financial liabilities through profit or loss	7	(91,300)	14,726	(76,574)
Realised foreign currency gain on forward contracts and share transactions		2,639	–	2,639
<b>Total net loss</b>		<b>(71,261)</b>		<b>(71,285)</b>
<b>Expenses</b>				
Investment management fee	18	(7,931)	939	(6,992)
Accounting and administration fees	18	(1,087)	4	(1,083)
Audit fee		(185)	(3)	(188)
Directors' fees	20	(183)	–	(183)
Other expenses	6	(4,067)	(1,381)	(5,448)
<b>Total Expenses</b>		<b>(13,453)</b>		<b>(13,894)</b>
<b>Net loss before finance costs</b>		<b>(84,714)</b>		<b>(85,179)</b>
<b>Finance costs</b>				
Loan interest payable	5	(3,796)	1,807	(1,989)
ZDP interest payable	15	(12,194)	–	(12,194)
Unrealised foreign currency gain	8	8,913	–	8,913
<b>Loss before tax</b>		<b>(91,791)</b>		<b>(90,449)</b>
Tax expense	1	(2)	2	–
<b>Loss for the year</b>		<b>(91,793)</b>		<b>(90,449)</b>
<b>Other comprehensive income</b>				
Movement in currency translation reserve		890	(890)	–
<b>Total comprehensive loss for the year</b>		<b>(90,903)</b>		<b>(90,449)</b>
Loss attributable to:				
Owners of the Company		(85,198)	(5,251)	(90,449)
Non-controlling interests		(6,595)	6,595	–
		<b>(91,793)</b>		<b>(90,449)</b>
Total comprehensive loss attributable to:				
Owners of the Company		3,363	(3,363)	–
Non-controlling interests		(2,473)	2,473	–
		<b>(90,903)</b>		<b>(90,449)</b>
<b>Earnings per share</b>				
Basic and diluted losses per share	19	\$(0.22)	\$(0.01)	\$(0.23)

## Notes to the Financial Statements continued

### 24. CHANGE IN ACCOUNTING POLICY AND TRANSITION continued

	Notes	30 June 2012 (Consolidated) \$'000	Adjustment	30 June 2012 (Restated) \$'000
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	11	670,841	(43,347)	627,494
<b>Current assets</b>				
Cash and cash equivalents	3	35,247	(16,435)	18,812
Receivables	9	1,723	(39)	1,684
		<b>36,970</b>		<b>20,496</b>
<b>Current liabilities</b>				
Payables and accruals	10	(8,410)	5,968	(2,442)
Derivative financial liabilities	13	(998)	–	(993)
Zero dividend preference shares	15	(67,503)	–	(67,503)
<b>Net current liabilities</b>		<b>(39,941)</b>		<b>(50,447)</b>
<b>Non-current liabilities</b>				
Payables and accruals	10	(400)	–	(400)
Loan balances	14	(82,165)	37,797	(44,368)
Zero dividend preference shares	15	(101,878)	–	(101,878)
		(184,443)		(146,646)
<b>Net assets</b>		<b>446,457</b>		<b>430,401</b>
<b>Represented by:</b>				
Share capital	16	488,872	–	488,872
Reserves	16	(52,778)	(5,693)	(58,471)
Total equity attributable to equity holders of the Company		436,094		430,401
Non-controlling interests		10,363	(10,363)	–
<b>Total equity</b>		<b>446,457</b>		<b>430,401</b>
<b>Nav per Equity share</b>		<b>\$1.13</b>	<b>–</b>	<b>\$1.13</b>

## Statement of Changes in Equity

	Share capital \$'000	Reserves \$'000	Total \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 July 2011 (Consolidated)</b>	451,594	29,057	480,651	20,373	501,024
Loss for the year (Note 16)	–	(85,198)	(85,198)	(6,595)	(91,793)
Other comprehensive income for the year	–	3,363	3,363	(2,473)	890
<b>Total comprehensive income for the year</b>	–	(81,835)	(81,835)	(9,068)	(90,903)
Share buy backs (Note 16)	(9,061)	–	(9,061)	–	(9,061)
Share issue	59,934	–	59,934	–	59,934
Tender offer (Note 16)	(13,597)	–	(13,597)	–	(13,597)
Shares issued on warrant conversion (Note 17)	2	–	2	–	2
Non-controlling interest redemption	–	–	–	(942)	(942)
<b>Total transactions with owners of the Company for the year ended 30 June 2012</b>	37,278	–	37,278	(942)	36,336
<b>At 30 June 2012 (Consolidated)</b>	<b>488,872</b>	<b>(52,778)</b>	<b>436,094</b>	<b>10,363</b>	<b>446,457</b>
	Share capital \$'000	Reserves \$'000	Total \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 July 2011 (Adjustment)</b>	–	2,921	2,921	(20,373)	(17,452)
Loss for the year	–	(5,251)	(5,251)	6,595	1,344
Other comprehensive income for the year	–	(3,363)	(3,363)	2,473	(890)
<b>Total comprehensive income for the year</b>	–	(8,614)	(8,614)	9,068	454
Share buy backs	–	–	–	–	–
Share issue	–	–	–	–	–
Tender offer	–	–	–	–	–
Shares issued on warrant conversion	–	–	–	–	–
Additional capital contribution in subsidiary by non-controlling interests	–	–	–	942	942
<b>Total transactions with owners of the Company for the year ended 30 June 2012</b>	–	–	37,278	942	942
<b>At 30 June 2012 (Adjustment)</b>	–	<b>(5,693)</b>	<b>430,401</b>	<b>(10,363)</b>	<b>(16,056)</b>
	Share capital \$'000	Reserves \$'000	Total \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 July 2011 (Restated)</b>	451,594	31,978	483,572	–	483,572
Loss for the year (Note 16)	–	(90,449)	(90,449)	–	(90,449)
<b>Total comprehensive income for the year</b>	–	(90,449)	(90,449)	–	(90,449)
Share buy backs (Note 16)	(9,061)	–	(9,061)	–	(9,061)
Share issue	59,934	–	59,934	–	59,934
Tender offer (Note 16)	(13,597)	–	(13,597)	–	(13,597)
Shares issued on warrant conversion (Note 17)	2	–	2	–	2
<b>Total transactions with owners of the Company for the year ended 30 June 2012</b>	37,278	–	37,278	–	37,278
<b>At 30 June 2012 (Restated)</b>	<b>488,872</b>	<b>(58,471)</b>	<b>430,401</b>	<b>–</b>	<b>430,401</b>

# Notes to the Financial Statements continued

## 24. CHANGE IN ACCOUNTING POLICY AND TRANSITION continued

### Statement of Cash Flows

	Notes	30 June 2012 (Consolidated) \$'000	Adjustment	30 June 2012 (Restated) \$'000
<b>Operating activities</b>				
Loss for the year		(91,793)	1,344	(90,449)
Adjustments for:				
Interest income	4	(46)	12	(34)
Distributions from investments	4	(17,354)	14,738	(2,616)
Interest expense	5,15	15,990	(1,807)	14,183
Net derivative gains	7	(1,260)	–	(1,260)
Net losses on financial assets and financial liabilities through profit or loss	7	92,560	(14,726)	77,834
Unrealised foreign currency gain		(8,913)	–	(8,913)
<b>Operating cash flow before changes in working capital</b>		<b>(10,816)</b>		<b>(11,255)</b>
Decrease in receivables		1,479	(8)	1,471
Decrease in payables		(97)	68	(29)
<b>Cash used in operations</b>		<b>(9,434)</b>		<b>(9,813)</b>
<b>Investing activities</b>				
Purchase of investments		(37,394)	990	(36,404)
Net proceeds from sale of non-current financial assets		117,546	(40,612)	76,934
Interest received	4	46	(12)	34
Other income distributions from investments	4	17,354	(14,738)	2,616
<b>Cash from investing activities</b>		<b>97,552</b>		<b>43,180</b>
<b>Financing activities</b>				
Proceeds on issue of equity shares	16	2	–	2
Equity shares buy back	16	(22,658)	–	(22,658)
Loans received		71,030	–	71,030
Loans paid		(129,538)	35,300	(94,238)
Interest paid		(5,258)	2,918	(2,340)
Loan arrangement fee paid		(1,200)	–	(1,200)
Non-controlling interest redemption		(942)	942	–
Buyback of Zero Dividend Preference shares		(1,652)	–	(1,652)
<b>Cash from financing activities</b>		<b>(90,216)</b>		<b>(51,056)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,098)</b>		<b>(17,689)</b>
Cash and cash equivalents at beginning of year		38,843	(1,857)	36,986
Effects of exchange difference arising from cash and cash equivalent		(1,498)	1,013	(485)
<b>Cash and cash equivalents at end of the year</b>		<b>35,247</b>		<b>18,812</b>

# Information about the Company

## **DIRECTORS:**

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

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