NEUBERGER | BERMAN

NB Private Equity Partners Limited

2008 ANNUAL FINANCIAL REPORT

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COMPANY OVERVIEW

Our investment objective is to produce attractive returns on our capital from our private equity investments while managing investment risk through portfolio diversification. We intend to pursue diversification for our private equity investments across asset class, vintage year, geography, industry and sponsor.

Our Company	**NB Private Equity Partners Limited ("NBPE")** ▪ Guernsey closed-end investment company ▪ 52,497,863 Class A ordinary Shares outstanding ▪ 10,000 Class B ordinary Shares outstanding
Investment Manager	**NB Alternatives [1]** ▪ Over 20 years of private equity investing experience ▪ Investment Committee with an aggregate of more than 200 years of experience with private equity investing ▪ ~50 investment professionals ▪ ~135 administrative and finance professionals ▪ Offices in New York, Dallas, London and Hong Kong

($ in millions, except per share data)	**At 31 December 2008**	**At 31 December 2007**
Net Asset Value	$430.5	$562.5
Net Asset Value per Share	$8.20	$10.37
Fund Investments	$359.0	$326.4
Direct Co-investments	$89.3	$94.2
Total Private Equity Investments	$448.3	$420.6
Private Equity Investment Level	104%	75%
Cash and Cash Equivalents	$139.2	$145.3

1. NB Alternatives is a marketing name which is used to refer to a select group of entities and product lines that will be part of a new entity that will be created in connection with the closing of the pending acquisition by management of the majority interest in Neuberger Berman and select fixed income and alternative asset management businesses of Lehman Brothers Holdings Inc.'s Investment Management Division. The acquisition is subject to certain bankruptcy, regulatory, client and/or other approvals and closing terms, as well and various legal entity formations, licensing, renaming and/or reorganizations/restructurings. The Investment Manager of NB Private Equity Partners Limited that will be part of the acquisition includes various existing investment advisers, including Lehman Brothers Private Fund Advisers, LP and select other affiliated investment advisers. Information is current as of the date of publication and is subject to change without notice.

OVERVIEW OF THE INVESTMENT MANAGER

The NB Alternatives group of Neuberger Berman (the "Investment Manager") has over twenty years of investing experience specializing in private equity funds, co-investments and secondary investments and has built relationships with leading private equity sponsors over that time.

The Investment Manager makes all of our investment decisions, and we have delegated to the Investment Manager the day-to-day management and operations of our business. The Investment Manager's investment decisions are made by its Fund of Funds Investment Committee (the "Investment Committee"), which currently consists of members with an aggregate of more than 200 years of experience with private equity investing. The sourcing and evaluation of our investments is conducted by the Investment Manager's team of 50 investment professionals who specialize in private equity fund investments and co-investments. In addition, the Investment Manager's staff of 135 administrative and finance professionals are responsible for our administrative, financial management and reporting needs. The Investment Manager currently maintains offices in New York, Dallas, London and Hong Kong.

Investment Manager Update

On 3 December 2008, a group consisting of portfolio managers, the management team and senior professionals ("Management") agreed to acquire a majority interest in Neuberger Berman and the fixed income and alternative asset management businesses of Lehman Brothers' Investment Management Division ("the Transaction"). As part of the Transaction, a new, independent investment management company, Neuberger Berman Group LLC ("NBG"), will be created comprising businesses that manage approximately $155 billion of assets as of 31 March 2009. At the closing of the Transaction, 51% of NBG's common equity will be issued, or reserved for issuance, to Management and 49% of NBG's common equity will be issued to Lehman Brothers Holdings Inc. ("LBHI") and/or its affiliates. In the Transaction, certain of the assets of the Investment Manager, including the investment advisory agreement between the Investment Manager and NBPE, would be sold to newly formed entities wholly owned directly or indirectly by NBG. In addition, a portion of LBHI's Special Limited Partner interest in a consolidated partnership subsidiary would be transferred to NBG, with the remainder being divided amongst the individuals working on NBPE. The board of directors of NBPE has consented to the Transaction on behalf of NBPE. It is currently anticipated that the Transaction will close on or before 30 April 2009.

The board of directors expects the Transaction to significantly benefit NBPE by providing the Investment Manager with a strong platform from which to continue managing our high quality private equity portfolio. NBPE continues to be managed by the same experienced management team, and the Investment Manager remains committed to the goal of creating long term value for shareholders.

The Management acquisition includes the businesses of Neuberger Berman (primarily equities products and services, mutual funds, and a strong emphasis on high net worth and institutional clients), Lehman Brothers Asset Management (fixed income, commodities, and quantitative portfolio management), and Lehman Brothers' private fund investments group, now known as NB Alternatives, which includes the fund-of-funds businesses (both hedge fund and private equity), secondary private equity, and co-investment.

Founded in 1939 by Roy Neuberger, Neuberger Berman has for seven decades been committed to protecting and building wealth for its clients. Neuberger Berman offers equity, fixed income and alternatives investments to high net worth and institutional investors. Neuberger Berman remains committed to its powerful culture, its people, its alignment of interest with clients, and to continuing its focus upon performance and client service.

INVESTMENT RESULTS

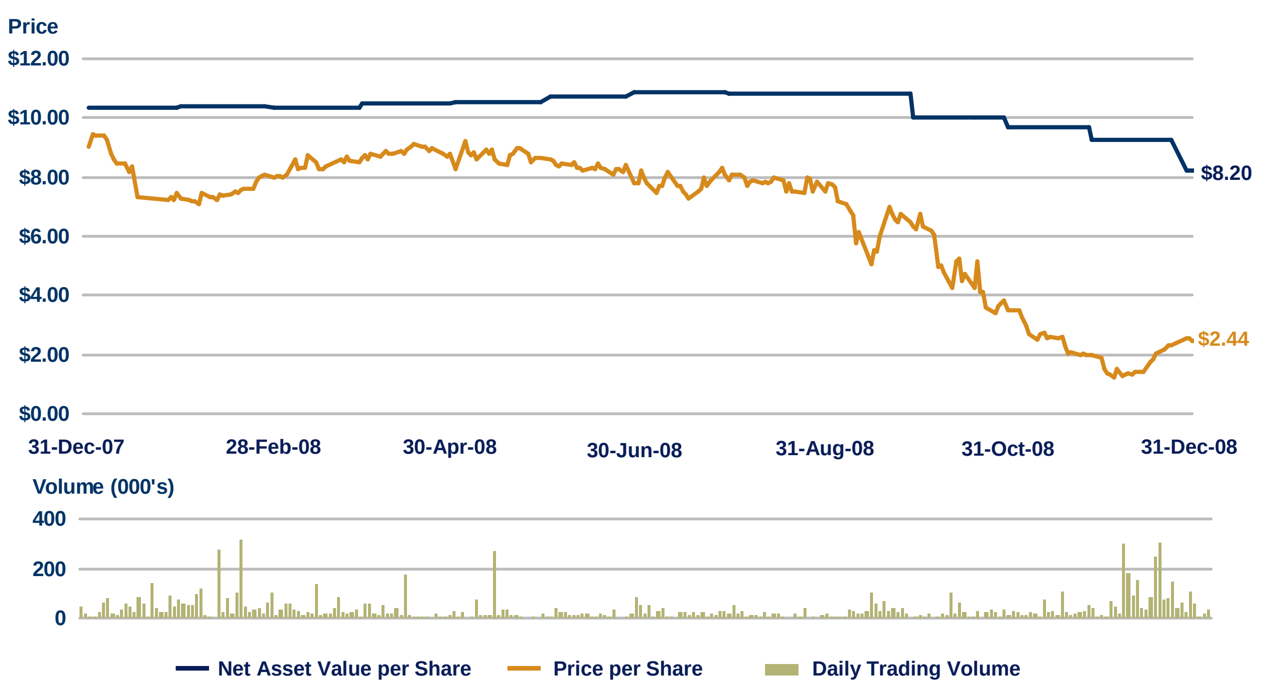
During the year, net asset value decreased from $562.5 million at 31 December 2007 to $430.5 million, or $8.20 per Share, at 31 December 2008. This represents a decrease of $2.17 per Share, or 21%, compared to the net asset value per Share of $10.37 on 31 December 2007. In the fourth quarter our private equity portfolio decreased in value as severe dislocation in the global financial markets and overall weakness in the economy had a negative impact on investment valuations.

During 2008, we had net realized losses of $10.5 million in our private equity portfolio. The portfolio also experienced net unrealized depreciation of $54.0 million related to privately held investments, principally related to the depreciation of certain large-cap buyout fund investments and co-investments. In addition, there was a $53.9 million net decrease in the value of credit related fund investments and publicly traded equity securities. Interest and dividend income, foreign exchange adjustments, operating expenses and other items resulted in a $13.6 million decrease in net asset value. However, share repurchases during the year through the Liquidity Enhancement Agreement were accretive to net asset value by $0.15 on a per share basis.

In 2008, we invested approximately $190.6 million into private equity investments through capital calls and direct co-investments. Approximately 46% of the capital invested was directed to special situations funds and co-investments, 49% was deployed into buyout funds and co-investments and the remaining 5% was invested in growth equity and venture capital investments.

Throughout the year we received approximately $50.2 million of distributions from our underlying private equity portfolio. Approximately 68% of the distributions received during 2008 were from buyout fund investments, including $8.5 million from Apollo Investment Fund V, $2.6 million from Doughty Hanson & Co IV, $2.6 million from American Capital Equity II and $2.1 million from AIG Highstar Capital II. Approximately 26% of the distributions came from our co-investment portfolio, including an aggregate of $12.1 million from the realization of our two reinsurance sidecar investments, MaRI Holdings and Mont Fort Re. The final 6% of distributions were related to our investment in Lehman Crossroads Fund XVII.

2008 SHARE PRICE PERFORMANCE AND NET ASSET VALUE PER SHARE



INVESTMENT PORTFOLIO SUMMARY

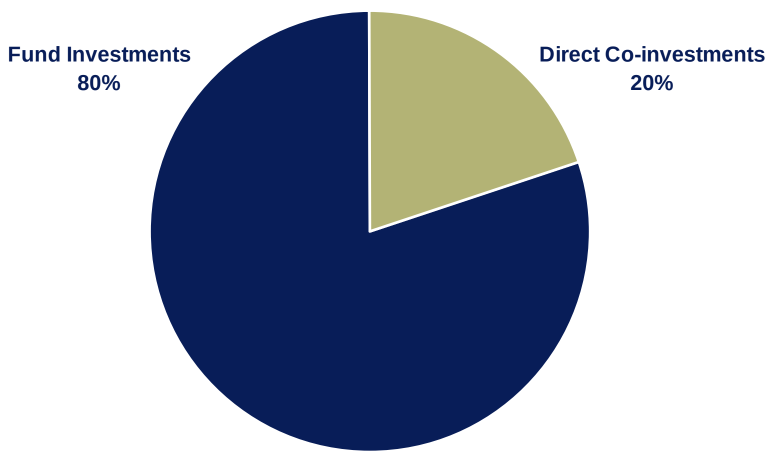
During the fourth quarter of 2008, we did not commit to any new private equity funds or invest in any direct co-investments. For the year, we committed approximately $59.4 million to new private equity investments, including 69%, or $41.2 million, to special situations / distressed funds and co-investments.

As of 31 December 2008, our private equity investment portfolio consisted of 58 fund investments and direct co-investments and the net asset value and total exposure of our private equity investments was $448.3 million and $629.8 million, respectively.

PRIVATE EQUITY INVESTMENT PORTFOLIO – 31 DECEMBER 2008

($ in millions)	Number of Investments	Net Asset Value	Unfunded Commitments	Total Exposure
Fund Investments	39	$359.0	$175.2	$534.2
Direct Co-investments	19	89.3	6.4	95.6
Total Private Equity Investments	**58**	**$448.3**	**$181.5**	**$629.8**

PORTFOLIO ALLOCATION BASED ON NET ASSET VALUE



INVESTMENT STRATEGY AND CAPITAL DEPLOYMENT

We seek to generate attractive returns on our capital by increasing our net asset value over the long term. We strive to implement our strategy by making investments into high quality private equity funds and direct co-investments, while also maintaining a well-diversified portfolio.

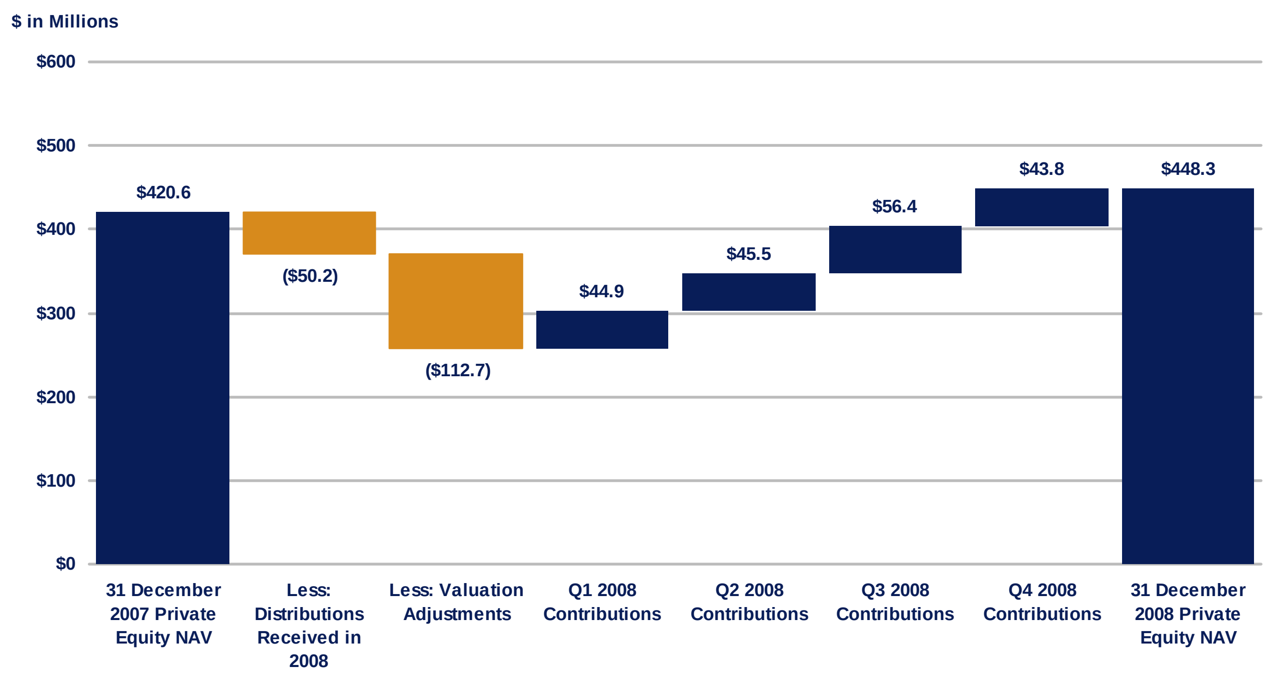
In the second half of 2007 and throughout 2008, we over-weighted our allocation to the special situations asset class, including distressed funds. At year end, special situations funds and co-investments represented 22% of our investment portfolio based on total private equity exposure. During 2008, approximately 46% of the capital deployed was invested in special situations funds or co-investments, increasing our special situations exposure on a private equity net asset value basis to 23%.

In light of the ongoing weakness in the broader economy, we continue to believe that our special situations managers are well-positioned to capitalize on distressed investment opportunities and generate attractive returns over the long term.

Given the decline in valuations in the second half of 2008 and the fact that we are now over 100% invested in private equity assets, we will continue to be cautious regarding new investments in order to maintain a conservative capital structure.

The graph below illustrates a summary of our capital deployment during 2008, including a quarterly breakdown of our private equity contributions. In total, approximately $190.6 million was invested into private equity assets during 2008.

2008 CAPITAL DEPLOYMENT



PORTFOLIO AND INVESTMENT ACTIVITY

Portfolio and investment activity in 2008 was as follows:

($ in millions)

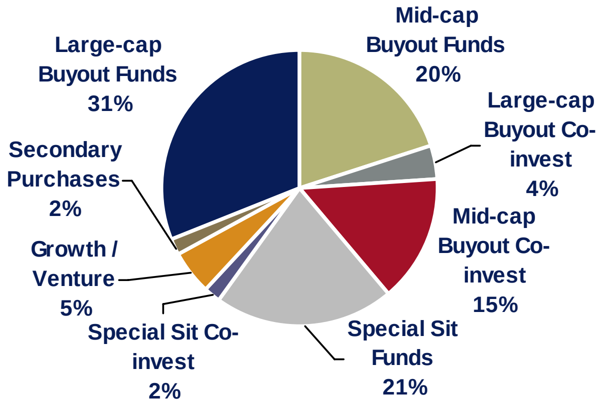
	Fund Investments	Direct Co-investments	Total
Capital Calls / Co-investments Funded	$175.7	$14.9	$190.6
Distributions Received	$37.4	$12.8	$50.2
Net Realized Gains (Losses)	($15.2)	$1.8	($13.4)
Net Unrealized Appreciation (Depreciation)	($94.1)	($9.2)	($103.3)
Commitments / Investments	4	6	10
Amount Committed / Invested	$38.3	$21.1	$59.4

PORTFOLIO DIVERSIFICATION

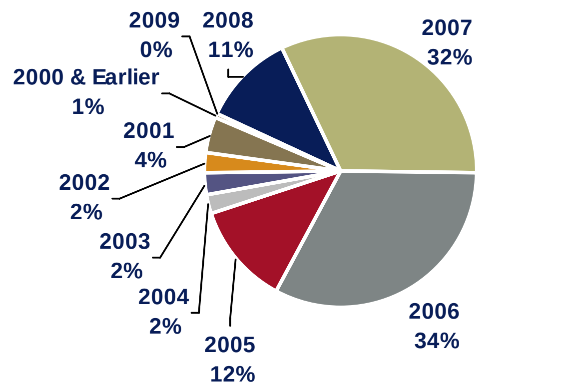
Consistent with our investment objective, we strive to manage investment risk through appropriate diversification within our private equity portfolio. The graphs below illustrate the breakdown of our private equity investment portfolio based on private equity net asset value as of 31 December 2008.

DIVERSIFICATION BASED ON PRIVATE EQUITY NET ASSET VALUE [1]

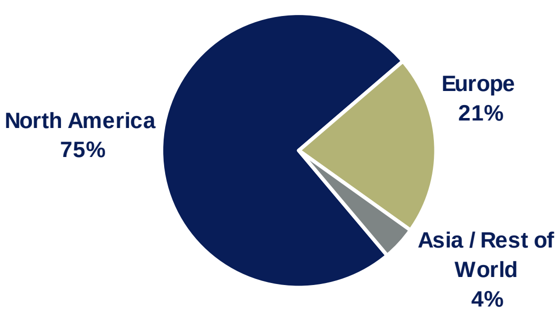
Asset Class and Investment Type



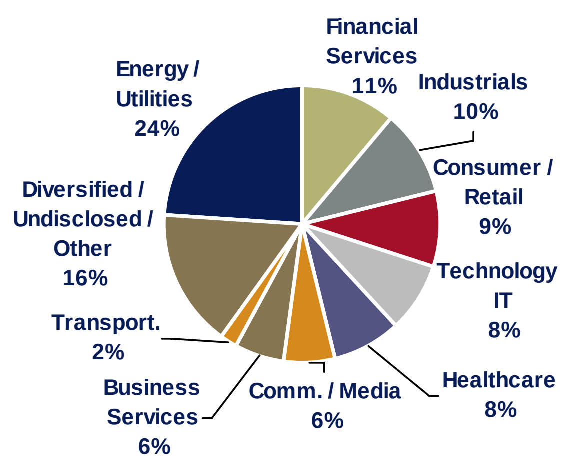
Vintage Year of Fund or Co-investment 2



Geography



Industry

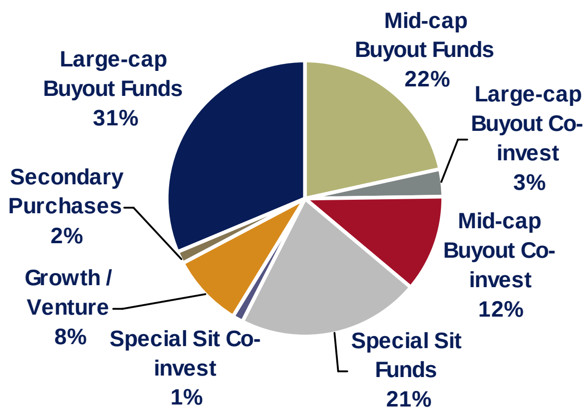


1. *The diversification analysis by asset class and investment type is based on the net asset value of underlying fund investments and co-investments. The diversification analysis by vintage year, geography and industry is based on the diversification of underlying portfolio company investments at fair value as estimated by the Investment Manager. The vintage year diversification also includes an allocation of net cash flows and valuation adjustments made since financial statements were last received from the investment sponsor. Determinations regarding asset class, geography and industry also represent the Investment Manager's estimates. Accordingly, the actual diversification of our investment portfolio and the diversification of our investment portfolio on an ongoing basis may vary from the foregoing information.*
2. *Vintage year is the date of the first portfolio investment made by a private equity fund or the date of the co-investment.*

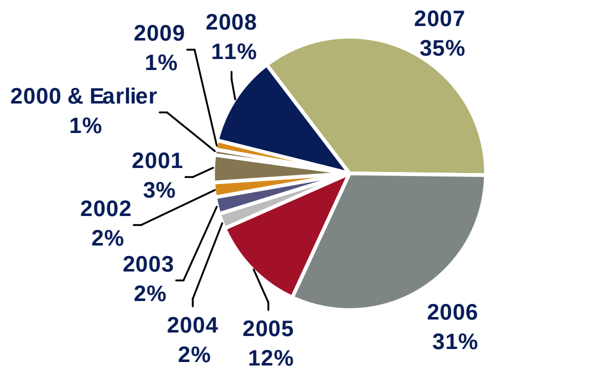
The graphs below depict the diversification of our private equity investment portfolio as of 31 December 2008 based on total private equity exposure, defined as the value of private equity investments plus related unfunded commitments.

DIVERSIFICATION BASED ON PRIVATE EQUITY TOTAL EXPOSURE [1]

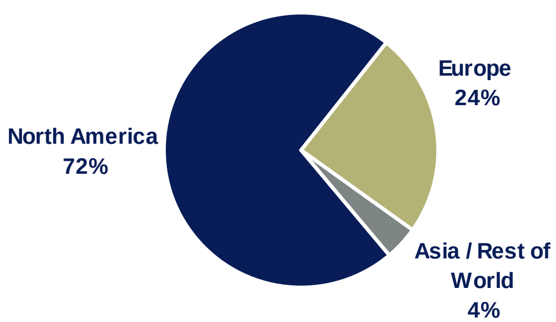
Asset Class and Investment Type



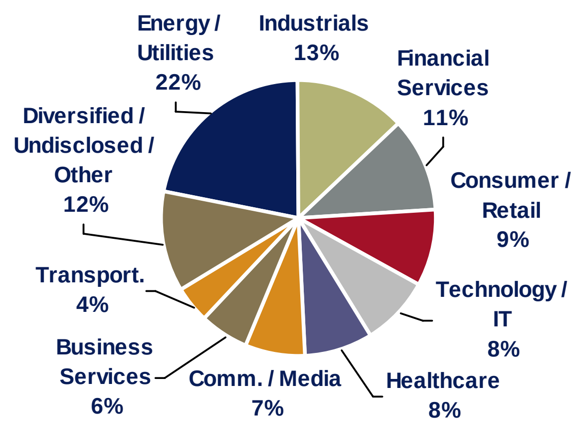
Vintage Year of Fund or Co-investment [2]



Geography



Industry



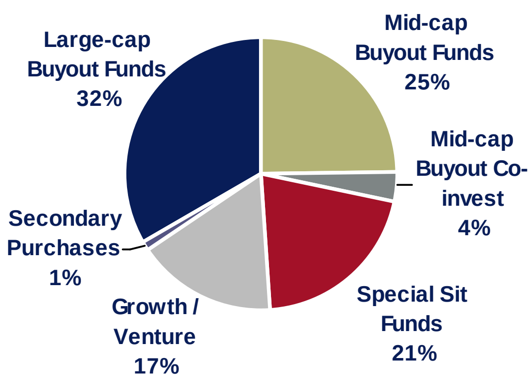
1. *The diversification analysis by asset class and investment type is based on the net asset value of underlying fund investments and co-investments plus related unfunded commitments. The diversification analysis by vintage year, geography and industry is based on the diversification of underlying portfolio company investments at fair value as estimated by the Investment Manager. The vintage year diversification also includes an allocation of net cash flows and valuation adjustments made since financial statements were last received from the investment sponsor. Determinations regarding asset class, geography and industry, as well as the allocation of unfunded commitments, also represent the Investment Manager's estimates. Accordingly, the actual diversification of our investment portfolio and the diversification of our investment portfolio on an ongoing basis may vary from the foregoing information.*
2. *Vintage year is the date of the first portfolio investment made by a private equity fund or the date of the co-investment.*

DIVERSIFICATION OF UNFUNDED COMMITMENTS

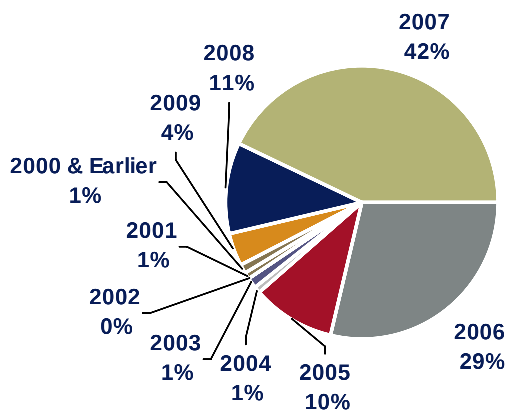
The graphs below depict the diversification of our $181.5 million of unfunded private equity commitments as of 31 December 2008.

DIVERSIFICATION BASED ON UNFUNDED EXPOSURE [1]

Asset Class and Investment Type



Vintage Year of Fund or Co-investment [2]



1. *Determinations regarding asset class represent the Investment Manager's estimates.*
2. *Vintage year is the date of the first portfolio investment made by a private equity fund or the date of the co-investment.*

VINTAGE YEAR DIVERSIFICATION

In addition to the overall diversification of our private equity portfolio, we continue to be mindful of potential changes in the market in order to capitalize on the most attractive opportunities at a given point in time. In the second half of 2007 and throughout 2008, we consciously over-weighted our allocation to special situations funds and co-investments in order to take advantage of distressed investment opportunities. As a result, at 31 December 2008, 91% of our private equity net asset value in 2008 vintage year investments was in special situations / distressed.

The table below demonstrates the diversification of our private equity net asset value by vintage year and investment type as of 31 December 2008. For the purposes of this analysis, and throughout this Annual Financial Report, vintage year is defined as the date of the first portfolio investment made by a private equity fund or the date of a co-investment.

DIVERSIFICATION BY VINTAGE YEAR AND INVESTMENT TYPE

($ in millions)	Vintage Year					
	<=2004	**2005**	**2006**	**2007**	**2008**	**Total**
Large-cap Buyout Funds	$39.3	$35.5	$57.3	$4.8	-	$137.0
Large-cap Buyout Co-investments	-	-	1.9	17.1	-	19.0
Mid-cap Buyout Funds	9.5	7.3	42.8	31.2	0.2	91.0
Mid-cap Buyout Co-investments	-	0.7	22.1	40.6	2.7	66.1
Special Situations Funds	0.2	1.8	15.4	43.2	35.6	96.3
Special Sit. Co-investments	-	-	-	0.1	8.2	8.3
Growth / Venture	3.0	4.4	5.6	8.4	1.6	22.9
Secondary Purchases	1.5	5.6	0.6	0.0	-	7.7
Total	$53.5	$55.4	$145.6	$145.5	$48.3	$448.3

	Vintage Year					
	<=2004	**2005**	**2006**	**2007**	**2008**	**Total**
Large-cap Buyout Funds	73%	64%	39%	3%	0%	31%
Large-cap Buyout Co-investments	0%	0%	1%	12%	0%	4%
Mid-cap Buyout Funds	18%	13%	29%	21%	0%	20%
Mid-cap Buyout Co-investments	0%	1%	15%	28%	6%	15%
Special Situations Funds	0%	3%	11%	30%	74%	21%
Special Sit. Co-investments	0%	0%	0%	0%	17%	2%
Growth / Venture	6%	8%	4%	6%	3%	5%
Secondary Purchases	3%	10%	0%	0%	0%	2%
Total	100%	100%	100%	100%	100%	100%

PRIVATE EQUITY INVESTMENT PORTFOLIO

The following is a list of our private equity investments as of 31 December 2008:

($ in millions)	Asset Class	Geography	Vintage Year	Net Asset Value	Unfunded Commitments	Total Exposure
Fund Investments						
AIG Highstar Capital II	Mid-cap Buyout	U.S.	2004	$3.3	$0.3	$3.5
American Capital Equity II	Mid-cap Buyout	U.S.	2005	5.1	1.5	6.6
Apollo Investment Fund V	Large-cap Buyout	U.S.	2001	11.1	1.5	12.5
Aquiline Financial Services Fund	Mid-cap Buyout	U.S.	2005	1.9	2.8	4.8
ArcLight Energy Partners Fund IV	Mid-cap Buyout	U.S.	2007	10.8	8.4	19.2
Avista Capital Partners	Mid-cap Buyout	U.S.	2006	15.4	2.1	17.5
Bertram Growth Capital I	Growth Equity	U.S.	2007	6.7	10.2	16.9
Carlyle Europe Partners II	Large-cap Buyout	Europe	2003	5.9	0.8	6.7
Centerbridge Credit Partners	Special Situations	U.S.	2008	16.5	-	16.5
Clayton, Dubilier & Rice Fund VII	Large-cap Buyout	U.S.	2005	18.0	2.9	20.9
Clessidra Capital Partners	Mid-cap Buyout	Europe	2004	3.9	1.0	5.0
Corsair III Financial Services Capital Partners	Mid-cap Buyout	Global	2007	5.2	3.6	8.8
CVI Global Value Fund	Special Situations	Global	2006	12.2	0.8	12.9
Doughty Hanson & Co IV	Large-cap Buyout	Europe	2003	3.6	0.3	3.9
First Reserve Fund XI	Large-cap Buyout	U.S.	2006	14.8	7.5	22.3
Investitori Associati III	Mid-cap Buyout	Europe	2000	1.7	0.9	2.6
J.C. Flowers II	Large-cap Buyout	Global	2006	3.5	0.5	4.1
KKR 2006 Fund	Large-cap Buyout	Global	2006	15.8	8.7	24.5
KKR Millennium Fund	Large-cap Buyout	Global	2002	9.8	-	9.8
Lehman Crossroads Fund XVII	Diversified	U.S.	2002 - 2006	28.7	10.9	39.6
Lehman Crossroads Fund XVIII Large-cap Buyout	Large-cap Buyout	Global	2005 - 2008	6.9	4.2	11.1
Lehman Crossroads Fund XVIII Mid-cap Buyout	Mid-cap Buyout	Global	2005 - 2008	20.3	17.4	37.7
Lehman Crossroads Fund XVIII Special Situations	Special Situations	Global	2005 - 2008	6.1	2.4	8.5
Lehman Crossroads Fund XVIII Venture Capital	Venture / Growth	U.S.	2006 - 2008	5.1	4.7	9.9
Lightyear Fund II	Mid-cap Buyout	U.S.	2006	4.2	4.3	8.5
Madison Dearborn Capital Partners V	Large-cap Buyout	U.S.	2006	5.4	2.0	7.4
OCM Opportunities Fund VIIb	Special Situations	U.S.	2008	19.1	9.0	28.1
OCM Principal Opportunities Fund IV	Mid-cap Buyout	U.S.	2007	15.8	-	15.8
Platinum Equity Capital Partners II	Special Situations	U.S.	2007	4.9	12.4	17.3
Prospect Harbor Credit Partners	Special Situations	U.S.	2007	5.5	-	5.5
Sankaty Credit Opportunities III	Special Situations	U.S.	2007	15.9	-	15.9
Summit Partners Europe Private Equity Fund	Growth Equity	Europe	2009	-	7.0	7.0
Sun Capital Partners V	Special Situations	U.S.	2007	1.1	8.8	9.9
Terra Firma Capital Partners III	Large-cap Buyout	Europe	2007	4.1	15.8	19.9
Thomas H. Lee Equity Fund VI	Large-cap Buyout	U.S.	2006	11.3	12.9	24.2
Trident IV	Mid-cap Buyout	U.S.	2007	2.7	2.1	4.8
Warburg Pincus Private Equity VIII	Large-cap Buyout	Global	2001	7.5	-	7.5
Wayzata Opportunities Fund II	Special Situations	U.S.	2007	14.4	4.0	18.4
Welsh, Carson, Anderson & Stowe X	Large-cap Buyout	U.S.	2005	14.8	3.6	18.4
Total Fund Investments				**$359.0**	**$175.2**	**$534.2**
Direct Co-investments [1]						
Avaya, Inc.	Large-cap Buyout	U.S.	2007			
Dresser Holdings, Inc.	Mid-cap Buyout	U.S.	2007			
Edgen Murray Corporation	Mid-cap Buyout	U.S.	2007			
Energy Future Holdings Corp. (TXU Corp.)	Large-cap Buyout	U.S.	2007			
First Data Corporation	Large-cap Buyout	U.S.	2007			
Firth Rixson, plc (Equity)	Mid-cap Buyout	Europe	2007 / 2008			
Firth Rixson, plc (Mezzanine)	Special Situations	Europe	2008			
Freescale Semiconductor, Inc.	Large-cap Buyout	U.S.	2006			
GazTransport & Technigaz S.A.S.	Mid-cap Buyout	Europe	2008			
Group Ark Insurance Holdings Limited	Mid-cap Buyout	Global	2007			
Kyobo Life Insurance Co., Ltd.	Mid-cap Buyout	Asia	2007			
Linn Energy, LLC	Mid-cap Buyout	U.S.	2007			
MaRI Holdings Limited	Mid-cap Buyout	Global	2007			
Press Ganey Associates, Inc.	Mid-cap Buyout	U.S.	2008			
Sabre Holdings Corporation	Large-cap Buyout	U.S.	2007			
Seventh Generation, Inc.	Growth Equity	U.S.	2008			
TPF Genco Holdings, LLC	Mid-cap Buyout	U.S.	2006			
Unión Radio	Mid-cap Buyout	Global	2008			
Total Direct Co-investments				**$89.3**	**$6.4**	**$95.6**
Total Private Equity Investment Portfolio				**$448.3**	**$181.5**	**$629.8**

1. *Co-investment values are given on an aggregate-only basis. No single co-investment comprised more than 5.0% of total net asset value.*

VALUATION METHODOLOGY

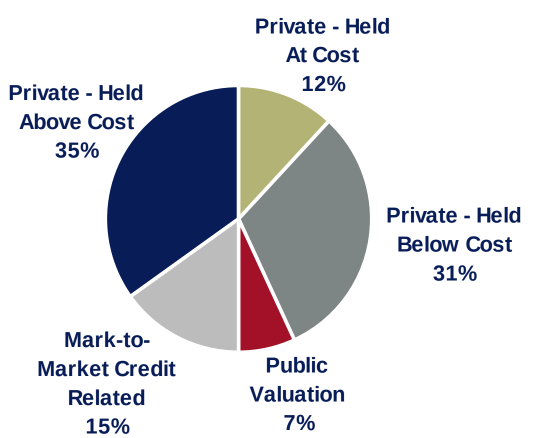
We carry our private equity investments on our books at fair value using the best information we have reasonably available to determine or estimate fair value. Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. We determine such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis. We estimate fair value for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events. We proactively re-value our investments before we have received updated information from the fund manager or lead sponsor if we become aware of material events that justify a change in valuation.

Our net asset value of $8.20 per share as of 31 December 2008 was $1.21 lower than previously reported in our December 2008 Monthly Report principally due to the receipt of additional portfolio valuation information. Between the release date of our December 2008 Monthly Report and the date of this Annual Financial Report, our Investment Manager received fourth quarter 2008 financial statements and other valuation estimates that resulted in write-downs within our private equity portfolio, particularly related to our large-cap buyout funds and co-investments. Furthermore, our Investment Manager utilized this valuation information to proactively re-value certain portfolio companies that are in multiple private equity funds using the most conservative valuation multiple across the portfolio.

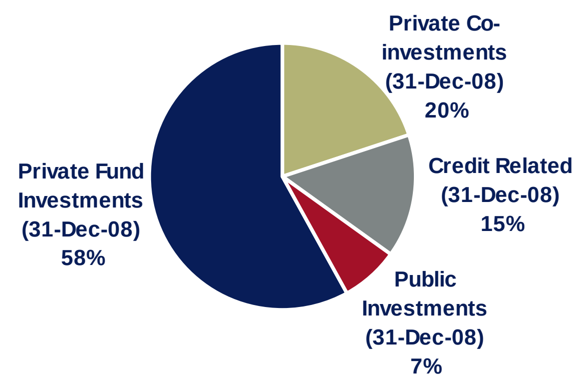
The graphs below illustrate the diversification of our private equity investments by valuation type and the date of most recent available information as of 31 December 2008.

VALUATION METHODOLOGY

NBPE Private Equity NAV by Valuation Type



NBPE Private Equity NAV by Date of Most Recent Available Information



PERFORMANCE BY ASSET CLASS

Based on the multiple of total value to paid-in capital ("TVPI"), our private equity portfolio decreased in value from 1.09x at the end of 2007 to 0.84x at year end 2008.

The largest decline in performance was related to large-cap buyout investments, which fell from 1.09x to 0.75x. The large-cap buyout portfolio was largely affected by lower public market comparables, higher degrees of leverage at the portfolio company level and weakening operating performance that led to lower valuations at year end. Mid-cap buyout valuations declined across much of the portfolio but to a lesser degree than large-cap buyout. These lower valuations were offset by unrealized gains in the value of certain mid-cap buyout co-investments. Overall, the value of our mid-cap buyout portfolio decreased from 1.09x to 1.05x during the year.

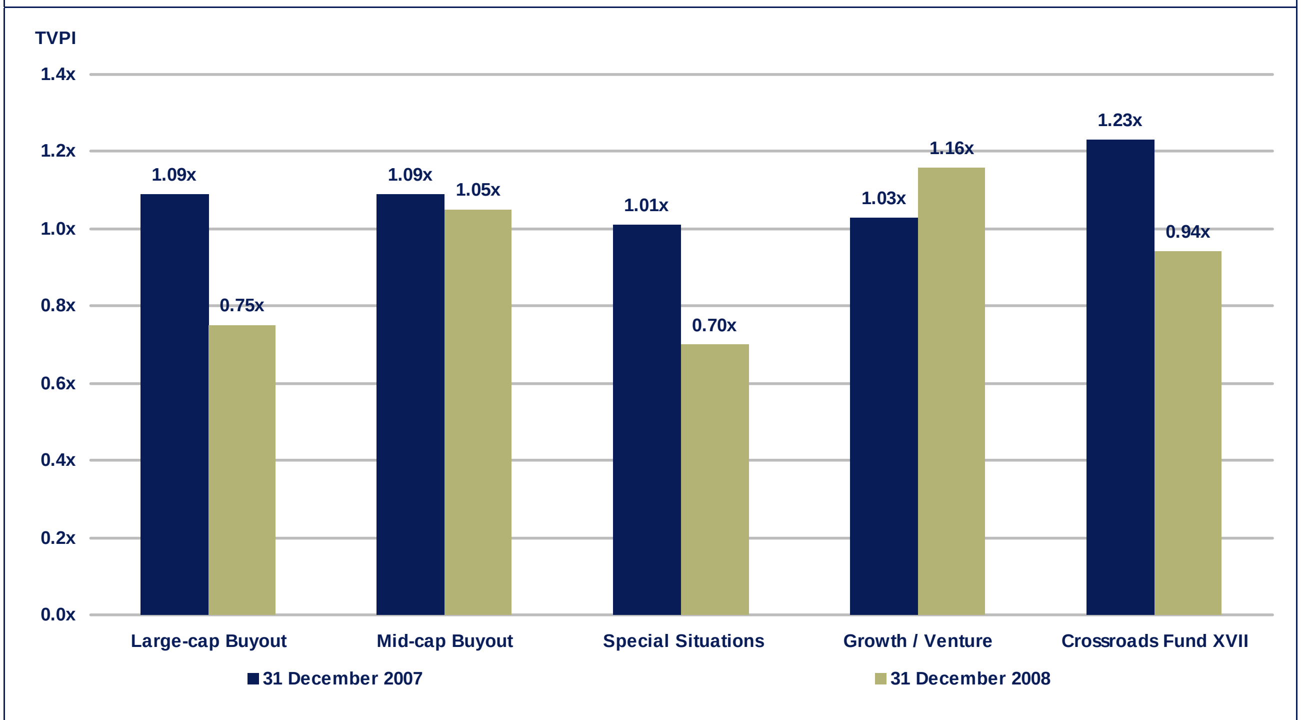
Our special situations / distressed portfolio declined from 1.01x to 0.70x in 2008, primarily as a result of unrealized losses related to mark-to-market adjustments on debt securities purchased by trading and restructuring funds. As a whole, the special situations portfolio is in the early stages of the J-curve with a majority of the capital deployed in 2008.

It is not unusual for distressed portfolios to have initial negative returns as managers build their investment positions. If our underlying managers are making appropriate credit selections, we would expect the distressed portfolios to appreciate much more quickly when financial markets begin to stabilize. In addition, by investing primarily in debt securities, the distressed portfolio should provide downside protection by investing in a more senior portion of the capital structure.

Despite the broader decline in asset valuations, our growth equity and venture capital portfolio generated positive returns during the year, increasing from 1.03x to 1.16x. These returns were largely driven by strong operating performance at two of the larger companies in the portfolio. Lastly, our investment in Lehman Crossroads Fund XVII, which is diversified across all four asset classes, declined in value from 1.23x to 0.94x over the course of the year.

The graph below illustrates a summary of our portfolio performance by asset class during 2008.

2008 PORTFOLIO PERFORMANCE BY ASSET CLASS



CO-INVESTMENT PERFORMANCE

During 2008, the TVPI multiple of our co-investment portfolio decreased from 1.08x to 0.98x. However, our mid-cap buyout co-investments (69% of the co-investment portfolio value) performed relatively well with a 1.25x valuation multiple at year end. A majority of the declines in the co-investment portfolio were related to our five large-cap buyout investments, which were valued at 0.52x at 31 December 2008.

The table below outlines the performance of our co-investment portfolio in 2008 by asset class and valuation range.

CO-INVESTMENT PERFORMANCE BY ASSET CLASS AND VALUATION RANGE

Asset Class	# Co-investments	31-Dec-2008 Fair Value ($mm)	Total Value to Paid-In Capital	% of Fair Value
Large-cap Buyout	5	$18.2	0.52x	20.4%
Mid-cap Buyout	13	61.5	1.25x	68.9%
Other Co-investments	2	9.6	0.92x	10.7%
Total Co-investments	**20**	**$89.3**	**0.98x**	**100.0%**

Multiple Range	# Co-investments	31-Dec-2008 Fair Value ($mm)	Total Value to Paid-In Capital	% of Fair Value
< 0.5x	3	$3.7	0.24x	4.2%
0.5x - 1.0x	8	31.8	0.69x	35.7%
Held at Cost	2	1.0	1.00x	1.1%
1.0x - 2.0x	5	20.1	1.20x	22.5%
2.0x +	2	32.6	2.24x	36.6%
Total Co-investments	**20**	**$89.3**	**0.98x**	**100.0%**

LARGEST UNDERLYING INVESTMENTS

At 31 December 2008, our private equity investment portfolio included exposure to over 2,350 separate companies, with our allocable portion of approximately 900 companies valued at greater than $20,000. Our 10 largest portfolio company investments totaled approximately $98 million in fair value, or 22% of our private equity investments and 23% of our total net asset value. Our 20 largest portfolio company investments totaled approximately $135 million in fair value, or 30% of our private equity investments and 31% of our total net asset value. No individual company accounted for more than 5.2% of total net asset value at year end. Listed below are the 20 largest portfolio company investments in alphabetical order.

Company Name	Status	Business Description	Partnership
Affinion Group Holdings Inc.	Privately Held	Marketing solutions	Apollo V
Avaya, Inc.	Privately Held	Communication systems, applications and services for enterprises	Direct, Fund XVIII
California Highwind Power	Privately Held	Wind generated power plants	Arclight IV, Fund XVIII
Dresser Holdings, Inc.	Privately Held	Energy infrastructure and oilfield equipment and services	Direct, First Reserve XI, Fund XVII, Fund XVIII
Edgen Murray Corporation	Privately Held	Distributor and marketer of steel and alloy products	Direct, Fund XVII, Fund XVIII
Energy Future Holdings Corp. (f/k/a TXU Corp.) **	Privately Held	Power generation, transmission and distribution, and retail electricity services	Direct, KKR 2006, Fund XVIII
First Data Corporation **	Privately Held	Global payment processing services	Direct, KKR 2006, Fund XVIII
Firth Rixson, plc **	Privately Held	Supplier of specialist metal products primarily for the aerospace industry	Direct, Fund XVIII
Group Ark Insurance Holdings Limited	Privately Held	Lloyd's based specialty P&C insurer	Direct, Aquiline, Fund XVIII
HD Supply Company **	Privately Held	Diversified wholesale distributor	CD&R VII, OCM Principal Opps IV, OCM Opps VIIb, Fund XVIII
Linn Energy, LLC	Publicly-Traded	Independent oil and gas company	Direct
Nielsen Company	Privately Held	Global information and media products and services	Carlyle Europe II, KKR Millennium, THL Fund VI, Fund XVII, Fund XVIII
Nycomed Holdings A/S	Privately Held	Specialty pharmaceutical company	Avista, Fund XVII, Fund XVIII
Power Holdings Inc.	Privately Held	Manufacturer of full spectrum power distribution and monitoring equipment	Bertram Growth Capital, Fund XVIII
Sabre Holdings Corporation	Privately Held	Travel services	Direct, Fund XVII, Fund XVIII
Sally Beauty Holdings, Inc.	Publicly-Traded	International specialty retailer of professional beauty supplies	Clayton, Dubilier & Rice VII
ServiceMaster Company **	Privately Held	Maintenance services, including lawn care, house cleaning and pest control	Clayton, Dubilier & Rice VII, Fund XVIII
Terra-Gen Power, LLC	Privately Held	Geothermal, wind and solar power generation	Arclight IV, Fund XVIII
TPF Genco Holdings, LLC	Privately Held	Natural gas fired power plants	Direct, Fund XVII, Fund XVIII
U.S. Foodservice Inc **	Privately Held	Foodservice distributor	Clayton, Dubilier & Rice VII, KKR 2006, Fund XVIII

At 31 December 2008, approximately $31 million of our private equity investment portfolio was comprised of investments directly or indirectly in publicly-traded securities. This amount represented 7% of our private equity investments and 7% of our total net asset value.

*** Indicates exposure to both equity and debt securities.*

INVESTMENT PORTFOLIO PERFORMANCE METRICS

In connection with our portfolio monitoring process, our Investment Manager analyzed the operational and financial performance of our 50 largest portfolio company investments, which also includes 14 co-investments. The 50 largest portfolio company investments include the 20 companies listed on the previous page plus the next 30 largest portfolio company investments.

At year end, these 50 companies represented an aggregate fair value of $192 million, or 43% of our private equity portfolio. The graph on the next page illustrates the 2008 revenue and EBITDA growth as well as the valuation metrics at year end for 34 of our 50 largest investments by industry sector. These 34 companies represented $117 million of fair value, or 26% of our portfolio, at year end. All of the performance metrics represent weighted averages based on each company's fair value at 31 December 2008.

A total of 16 companies in the 50 largest holdings were not included in the graph as their performance is typically benchmarked against other metrics. The set of companies not included consisted of:

- 4 power generation companies ($36.9 million of fair value, 8% of the private equity NAV of NBPE)
- 2 insurance companies ($12.5 million, 3%)
- 4 investments in publicly-traded securities, 3 in equity securities and 1 in debt securities ($11.2 million, 2%)
- 2 growth equity investments ($7.3 million, 2%)
- 4 other companies that do not have sufficient data to be included in the chart ($7.2 million, 2%)

By industry sector, the power generation companies represented the largest aggregate fair value in the top 50 investments and include a broad range of development, generation and transmission assets. During 2008, the power and utility companies in our portfolio experienced weighted average revenue and EBITDA declines of 7% and 10%, respectively. They are excluded from the graph because these investments are typically valued using a variety of factors, including capacity in megawatts, energy source (e.g. gas, coal, wind, etc.), technology, location in relation to the power grid, regional demand, and the method of power sale. Furthermore, the debt capacity of these investments is typically based on asset-based lending and operational leverage.

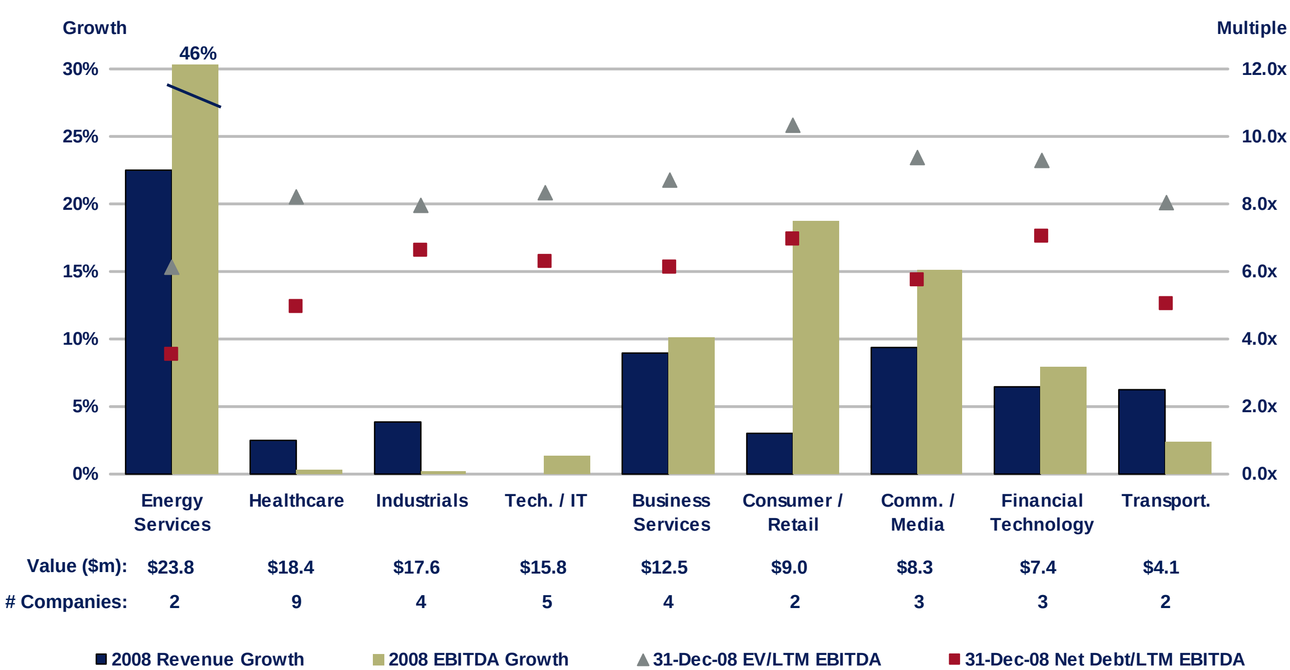
Based on weighted averages, the insurance investments in our portfolio grew book value by 16% in 2008 and were valued at 1.29x book value at year end. The growth equity investments also performed well and generated significant revenue and EBITDA growth during the past year.

As described on the previous page, the graph below illustrates the 2008 revenue and EBITDA growth as well as the valuation metrics at year end for 34 of our 50 largest investments by industry sector.

Based on weighted averages, the 34 portfolio companies included in the graph below grew revenue by 8% and increased EBITDA by 14% in 2008. These companies were valued at a weighted average of 8.1x trailing 12-month EBITDA and had weighted average net leverage of 5.6x trailing 12-month EBITDA at the end of 2008. Notably, our energy services investments generated strong performance with weighted average revenue and EBITDA growth of 22% and 46%, respectively.

Out of the largest investments included below, 25 companies representing $87 million of fair value grew revenue in 2008, while 9 companies representing $30 million of fair value had negative revenue growth in 2008. In addition, 24 companies representing $88 million of fair value grew EBITDA in 2008, while 10 companies representing $29 million of fair value experienced negative EBITDA growth during the past year.

WEIGHTED AVERAGE PERFORMANCE AND VALUATION METRICS BY INDUSTRY SECTOR [1]



1. *For certain portfolio companies, we have exposure to both equity and debt securities, in some cases through the same fund or co-investment and in other cases through multiple funds. The valuation multiples and leverage multiples for these investments are calculated based on the investment's position in the capital structure.*

LEHMAN CROSSROADS FUND OF FUNDS INVESTMENTS

Lehman Crossroads Fund XVII ("Fund XVII") and Lehman Crossroads Fund XVIII ("Fund XVIII") are diversified private equity funds of funds comprised of private equity fund investments, secondary investments and co-investments. Our exposure to Fund XVII is through a single commitment to Fund XVII's asset allocation fund while our exposure to Fund XVIII is through separate commitments to each of the asset class funds within Fund XVIII: Large-cap Buyout; Mid-cap Buyout; Special Situations / Distressed; and Growth Equity / Venture Capital.

As of 31 December 2008, the fair value of our investment in Fund XVII was $28.7 million, representing 6% of our total private equity investments and 7% of our total net asset value. The asset class diversification of our investment in Fund XVII based on private equity net asset value at year end was as follows[1]: Large-cap Buyout – 25%; Mid-cap Buyout – 29%; Growth / Venture – 40%; and Special Situations – 6%. As of 31 December 2008, Fund XVII consisted of 62 primary fund investments, nine co-investments and five secondary purchases and included exposure to over 1,500 separate companies, with the ten largest companies totaling approximately $2.9 million in fair value to NBPE, or less than 1% of our total net asset value. At year end, we had unfunded commitments of $10.9 million to Fund XVII.

As of 31 December 2008, the aggregate fair value of our investments in Fund XVIII was $38.4 million, representing 9% of our total private equity investments and 9% of our total net asset value. The asset class diversification of our investments in Fund XVIII based on private equity net asset value at year end was as follows[1]: Large-cap Buyout – 18%; Mid-cap Buyout – 53%; Special Situations – 16%; and Growth / Venture – 13%. As of 31 December 2008, Fund XVIII consisted of 71 primary fund investments, 27 co-investments and six secondary purchases and included exposure to over 1,000 separate companies, with the ten largest companies totaling approximately $6.1 million in fair value to NBPE, or approximately 1% of our total net asset value. At year end, we had unfunded commitments of $28.7 million to Fund XVIII.

The table below lists our ten largest investments in Fund XVII and Fund XVIII in alphabetical order as of 31 December 2008. At year end, the ten largest investments in Fund XVII had a fair value of approximately $7.7 million to NBPE, or 2% of our total private equity investments and 2% of our total net asset value. The ten largest investments in Fund XVIII had a fair value of approximately $10.1 million, or 2% of our total private equity investments and 2% of our total net asset value.

Ten Largest Investments in Fund XVII		Ten Largest Investments in Fund XVIII	
Partnership	**Asset Class**	**Partnership**	**Asset Class**
Apollo Investment Fund VI	Large-cap Buyout	3i Eurofund V	Mid-cap Buyout
Battery Ventures VII	Growth / Venture	Aquiline Financial Services Fund	Mid-cap Buyout
Carlyle/Riverstone Global E&P Fund III	Large-cap Buyout	Doughty Hanson & Co V	Mid-cap Buyout
CVC European Equity Partners IV	Large-cap Buyout	Edgen Murray Corporation	Mid-cap Co-invest
New Enterprise Associates 11	Growth / Venture	Madison Dearborn Capital Partners V	Large-cap Buyout
Oak Investment Partners XI	Growth / Venture	Tenaska Power Fund II	Mid-cap Buyout
ONSET V	Growth / Venture	TowerBrook Investors II	Mid-cap Buyout
Thoma Cressey Fund VIII	Mid-cap Buyout	TPF Genco Holdings	Mid-cap Co-invest
Trinity Ventures IX	Growth / Venture	Veritas Capital Fund III	Mid-cap Buyout
Warburg Pincus Private Equity IX	Special Situations	Wayzata Opportunities Fund	Special Situations

1. *The asset class diversification analysis is based on our allocable portion of the net asset value of the underlying fund investments and direct co-investments held by Fund XVII and Fund XVIII, respectively.*

LIQUIDITY AND CAPITAL RESOURCES

The principal sources of our liquidity consist of the remaining net cash proceeds of our initial global offering in July 2007, cash distributions generated by our portfolio of private equity fund investments and co-investments, interest and dividends earned on invested cash and other yield-based investments, and borrowings under our credit facility (further detail provided below and in Note 5 of the Consolidated Financial Statements).

As of 31 December 2008, we borrowed $151.4 million from our $250.0 million credit facility in order to fund ongoing investment activities. As a result, we had cash and cash equivalents of $139.2 million and $98.6 million of undrawn capacity on our credit facility, resulting in total capital resources of $237.8 million. Given that our unfunded private equity commitments were $181.5 million at year end, we continued to maintain a conservative capital structure as over 100% of our unfunded commitments were backstopped by our cash and undrawn credit facility.

The table below outlines our liquidity and capital position as of 31 December 2008.

CAPITAL POSITION AT 31 DECEMBER 2008

($ in millions)	31 December 2008
Net Asset Value	$430.5
Total Private Equity Investments	$448.3
Private Equity Investment Level	104%
Unfunded Private Equity Commitments	$181.5
Total Private Equity Exposure	$629.8
Over-commitment Level	46%
Cash and Cash Equivalents	$139.2
Undrawn Credit Facility	$98.6
Total Capital Resources	$237.8
Excess of Capital Resources Over Unfunded Commitments	**$56.3**

In August 2007, we entered into an agreement with The Bank of Scotland regarding a senior secured revolving credit facility of up to $250.0 million. Under the terms of the agreement, we may borrow, repay and re-borrow to fund private equity contributions and working capital requirements throughout the seven year term expiring in August 2014. All borrowings under the credit facility bear interest at a floating rate, calculated as LIBOR or Euribor, as appropriate, plus 1.35% per annum. At 31 December 2008, the interest rate on outstanding borrowings ranged from 3.1175% to 3.39125%. We are also required to pay a non-utilization fee calculated as 40 basis points per annum on the daily balance of the unused amount of the credit facility. Although we do not presently pay dividends, we have the ability to pay dividends subject to compliance with the terms of the agreement.

The key financial covenant for our credit facility is a maximum debt to value ratio of 50.0%. The debt to value ratio is calculated as total debt and current liabilities divided by Restricted NAV, with Restricted NAV defined as the fair value of all private equity investments (less any restricted value) plus cash and cash equivalents. At 31 December 2008, the debt to value ratio was 27.4%.

The two other covenants are a secured asset ratio and a commitment ratio. The secured asset ratio is not to exceed 80.0% and is defined as total debt and current liabilities divided by Secured Assets, with Secured Assets defined as the value of secured private equity investments plus cash and cash equivalents. At 31 December 2008, the secured asset ratio was 36.9%.

The commitment ratio is defined as Restricted Total Exposure divided by the aggregate of shareholder's equity and the total amount of the credit facility, with Restricted Total Exposure defined as the value of private equity investments (less any restricted value) plus unfunded private equity commitments. If the debt to value ratio is greater than 25.0% and the commitment ratio is greater than 130.0%, then we become restricted from making new private equity investments. At 31 December 2008, the commitment ratio was 91.7%.

MARKET COMMENTARY

Over the course of 2008, the broader economy was negatively affected by severe dislocations in the market including substantial distress in the financial system, a plunge in debt and equity securities prices, and a global economic recession. Downward spiraling economic conditions left investors in disarray amidst dysfunctional capital markets and rampant volatility. The bursting of the "credit bubble" had a tsunami-like effect on the global financial system. With the collapse, bailout and, in some cases, de-facto nationalization of major banking and insurance firms, the last quarter of the year magnified the broad-based financial crisis. Government assistance in financial and strategic businesses along with the forced de-leveraging of many institutions led to depressed valuations and a difficult economic environment.

As a result, leveraged-buyout transaction volume during the final months of 2008 was effectively non-existent. Given the weak credit environment, only six small leveraged buyouts totaling $3.2 billion were announced in the fourth quarter.[1] This represented a 97% decline year-over-year from $125 billion during the fourth quarter of 2007.[1] For the entire year, leveraged buyout volume totaled $111 billion, down 74% from 2007's record of $434 billion.[1] Following record purchase price multiples in 2007, stricter covenants and tighter credit pushed purchase multiples downward to more reasonable levels in 2008.[1]

Although U.S. buyout fundraising reached a new quarterly record of $58.6 billion in the first quarter of 2008, institutional investors began to witness a dramatic "denominator effect" on their private and public equities portfolios, forcing them to abandon 2007 levels of private equity allocation.[2] As public equity valuations declined, institutional investors were forced to reduce private equity allocations to avoid over-exposure. The early momentum subsided as the year continued, and fundraising fell to $15.2 billion in the fourth quarter, its lowest level since the first quarter of 2005. In total, U.S. buyout fundraising in 2008 declined by 16% to $162.3 billion compared to the record high of $193.6 billion raised in 2007.[3]

While the ongoing turmoil created significant challenges, we believe it also created numerous and highly attractive opportunities, especially for experienced distressed investors with the right skill set, fresh capital and an intermediate to longer-term outlook. Over the past year, and particularly in the fourth quarter, the price of leveraged loans and high yield bonds declined sharply and led to a rising number of defaults, creating attractive risk-adjusted return potential for special situations / distressed investors. Given the substantial size of the global credit markets, even small increases in default rates tend to generate a significant supply of distressed investment opportunities.

Special situations fundraising reached its peak in the second quarter of 2008 with $14.1 billion in commitments. Considering the strain of tenuous economic conditions and the fact that valuations are down significantly compared to recent years, it is not surprising that a significant amount of capital flowed into the market during 2008. Through the third quarter of 2008, special situations fundraising increased to $20.2 billion, nearly twice the amount raised in all of 2007.[3]

Although the economic environment of 2008 proved to be challenging for existing investments, it has provided an increasingly favorable pricing environment for new investments. As of 31 December 2008, our portfolio had unfunded private equity commitments of $181.5 million, which we expect to be called over the next two to four years. We believe that attractive investment opportunities will persist for several years as our remaining unfunded capital is deployed. With 22% of our total exposure dedicated to special situations / distressed investments and a significant amount of capital remaining to be deployed across multiple asset classes, we continue to believe that our portfolio is well-positioned to generate attractive returns over the long term.

1. *Standard & Poor's LCD Quarterly Review Fourth Quarter 2008.*
2. *Probitas Partners Private Equity Market Review and Institutional Investor Survey January 2009.*
3. *Thomson Venture Economics Venture Xpert as of December 31, 2008.*

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made and relate to expectations, beliefs, projections (including anticipated economic performance and financial condition), future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and are subject to risks and uncertainties including, but not limited to, statements as to:

- our future operating results;
- our business prospects and the prospects of our investments;
- the impact of investments that we expect to make;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our investments to achieve their objectives;
- differences between our investment objective and the investment objectives of the private equity funds in which we invest;
- the rate at which we deploy our capital in private equity investments, co-investments and opportunistic investments;
- our expected financings and investments;
- the continuation of the Investment Manager as our service provider and the continued affiliation with the Investment Manager of its key investment professionals;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our underlying private equity funds and our underlying portfolio companies.

In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will," and "would," or the negative of those terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Factors and events that could cause our business, financial condition, liquidity and results of operations to vary materially include, among other things, general economic conditions, securities market conditions, private equity market conditions, the level and volatility of interest rates and equity prices, competitive conditions, liquidity of global markets, international and regional political conditions, regulatory and legislative developments, monetary and fiscal policy, investor sentiment, availability and cost of capital, technological changes and events, outcome of legal proceedings, changes in currency values, inflation, credit ratings and the size, volume and timing of transactions, as well as other risks described elsewhere in this report and our prospectus relating to our IPO.

The foregoing is not a comprehensive list of the risks and uncertainties to which we are subject. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements to reflect any change in our expectations, or any changes in events, conditions or circumstances on which the forward-looking statement is based. In light of these risks, uncertainties and assumptions, the events described by our forward-looking statements might not occur. We qualify any and all of our forward-looking statements by these cautionary factors.

RISK FACTORS

An investment in our company involves substantial risk and investors in our company's shares should carefully consider such risks, including the following. Additional risks and uncertainties that we do not presently know about or that we currently believe are immaterial may also adversely impact our business, financial condition, results of operations or the value of your investment. If any of the following risks actually occur, our business, financial condition, results of operations and the value of your investment would likely suffer.

Our company may experience fluctuations in its monthly net asset value.

Our company may experience fluctuations in our net asset value from month to month due to a number of factors, including changes in the values of investments, which in turn could be due to changes in values of portfolio companies, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in operating expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the shares and cause our company's results for a particular period not to be indicative of our company's performance in a future period.

The shares could continue to trade at a discount to net asset value.

The shares could continue to trade at a discount to net asset value for a variety of reasons, including due to market conditions or to the extent investors undervalue the Investment Manager's investment management activities. Also, since there is generally a period of years before a new private equity fund has completed making its investments, return on our investments in such funds is not likely to be realized for a substantial time period, if at all, which could negatively impact the value of the shares. Additionally, unlike traditional private equity funds, we intend to continuously reinvest the cash we receive, except in limited circumstances. Therefore, the only way for investors to realize upon their investment is to sell their shares for cash. Accordingly, in the event that a holder of shares requires immediate liquidity, or otherwise seeks to realize the value of its investment in our company, through a sale of shares, the amount received by the holder upon such sale may be less than the underlying net asset value of the shares sold.

The Euronext Amsterdam trading market is less liquid than certain other major exchanges, which could affect the price of our shares.

The principal trading market for the shares is the Euronext Amsterdam, which is less liquid than certain other major exchanges in the United States and certain other parts of Europe. Because Euronext Amsterdam is less liquid than major exchanges in the United States and certain other parts of Europe, our shareholders may face difficulty when disposing of their shares, especially in large blocks. To date the company's shares have actively traded, but with generally low daily volumes. Our company cannot predict the effects on the price of the shares if a more liquid trading market for them does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of the shares. For example, sales of a significant number of shares may be difficult to execute at a stable price.

Failure to continue to meet the financial covenants in our credit facility could have an adverse impact on our liquidity.

We are currently in compliance with all of the covenants of our credit facility; however, certain events, including further reductions in the net asset value of our investments, could result in an event of default under the credit facility agreement. Under the terms of the credit facility, if an event of default occurs the lender may cancel the undrawn portion of the credit facility and declare the entire outstanding principal and interest immediately due. As a result, the company may not have access to sufficient capital to meet its obligations and could be forced to sell assets in order to cure the event of default or to repay the credit facility.

STATEMENT OF RESPONSIBILITY AND CERTAIN INFORMATION

Statement of Responsibility

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law, 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 then 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 confirm that they have complied with the above requirements in preparing these financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for the fairness of the management review included in the annual report and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Certain Information

We prepare consolidated financial statements for our Company on an annual and quarterly basis in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Our fiscal year ends on 31 December.

We are subject to the Netherlands Financial Supervision Act *(Wet op het financieel toezicht, "Wft")*, and we are registered with the Netherlands Authority for the Financial Markets *(Autoriteit Financiële Markten, "AFM")* as a collective investment scheme as meant in section 1:107 of the Wft. We are subject to certain ongoing requirements under the Netherlands Financial Supervision Act, the Decree on Supervision of Conduct by Financial Enterprises *(Besluit Gedragstoezicht financiële ondernemingen Wft)* and the Decree on the Implementation Directive Transparency Issuing Entities (Besluit uitvoeringsrichtlijn transparantie uitgevende instellingen Wft) relating to the disclosure of certain information to investors, including the publication of our financial statements.

DIRECTORS, ADVISORS AND CONTACT INFORMATION

Key Information
Trading Symbol: NBPE
Exchange: Euronext Amsterdam
Listing Date: 25 July 2007
Base Currency: USD
Bloomberg: NBPE NA
Reuters: NBPE.AS
ISIN: GG00B1ZBD492
COMMON: 030991001
Amsterdam Security Code: 600737

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John Hallam
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The Web site address for NB Private Equity Partners Limited is www.nbprivateequitypartners.com.

NB PRIVATE EQUITY PARTNERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers CI LLP
PO Box 321
National Westminster House
Le Truchot St Peter Port
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Channel Islands
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Report of Independent Auditors

To the Board of Directors and Shareholders of
NB Private Equity Partners Limited (f/k/a Lehman Brothers Private Equity Partners Limited):

In our opinion, the accompanying consolidated balance sheets, including the consolidated condensed schedule of private equity investments, as at 31 December 2008 and 2007 and the related consolidated statements of operations and changes in net assets and of cash flows presents fairly, in all material respects, the financial position of NB Private Equity Partners Limited and its subsidiaries as at 31 December 2008 and 2007, and the results of its operations, and its cash flows for the year ended 31 December 2008, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Directors. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Directors, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

This report, including the opinion, has been prepared for and only for the shareholders as a body in accordance with the Section 64 of The Companies (Guernsey) Law, 1994 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.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
23 April 2009

NB Private Equity Partners Limited

(f/k/a Lehman Brothers Private Equity Partners Limited)

Consolidated Balance Sheets

		31 December 2008		31 December 2007
Assets				
Private equity investments				
(cost of $532,808,845 for 2008 and $401,787,541 for 2007)	$	448,281,203	$	420,588,984
Cash and cash equivalents				
Denominated in U.S. dollars		138,776,304		102,779,760
Denominated in Euros (cost of $424,421 for 2008 and $40,344,798 for 2007)		427,715		42,569,017
		139,204,019		145,348,777
Other assets		2,598,495		6,677,952
Total assets	**$**	**590,083,717**	**$**	**572,615,713**
Liabilities				
Loan payable	$	151,402,038	$	-
Payables to Investment Manager and affiliates		3,405,466		5,923,675
Accrued expenses and other liabilities		541,101		1,401,621
Current taxes payable		252,874		387,487
Net deferred tax liability		3,581,532		1,902,103
Total liabilities	**$**	**159,183,011**	**$**	**9,614,886**
Minority interest	$	416,440	$	542,743
Net assets				
Class A shares, $0.01 par value, 500,000,000 shares authorized, 54,210,000 shares issued, and 52,497,863 shares outstanding for 2008 (54,210,000 for 2007)	$	542,100	$	542,100
Class B shares, $0.01 par value, 100,000 shares authorized and 10,000 shares issued and outstanding		100		100
Additional paid-in capital		541,657,800		541,657,800
Retained (deficit) / earnings		(105,918,332)		20,258,084
Less cost of 1,712,137 shares of treasury stock		(5,797,402)		-
Total net assets	**$**	**430,484,266**	**$**	**562,458,084**
Total liabilities, minority interest and net assets	**$**	**590,083,717**	**$**	**572,615,713**
Net asset value per share for Class A and Class B shares	**$**	**8.20**	**$**	**10.37**

The accounts were approved by the board of directors on 23 April 2009 and signed on its behalf by

Talmai Morgan　　　　John Hallam

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited
(f/k/a Lehman Brothers Private Equity Partners Limited)
Consolidated Condensed Schedule of Private Equity Investments

Private equity investments		Cost		Fair Value		Unfunded Commitment		Private Equity Exposure
31 December 2008								
Fund investments	$	438,081,022	$	359,026,989	$	175,186,196	$	534,213,185
Direct co-investments-equity		83,910,918		81,080,456		6,361,771		87,442,227
Direct co-investments-mezzanine debt		10,816,905		8,173,758		N/A		8,173,758
Total private equity investments	**$**	**532,808,845**	**$**	**448,281,203**	**$**	**181,547,967**	**$**	**629,829,170**
31 December 2007								
Fund investments	$	311,101,575	$	326,001,715	$	300,332,368	$	626,334,083
Direct co-investments		90,409,480		94,171,705		4,645,372		98,817,077
Marketable securities		276,486		415,564		N/A		415,564
Total private equity investments	**$**	**401,787,541**	**$**	**420,588,984**	**$**	**304,977,740**	**$**	**725,566,724**

Private equity investments in excess of 5% of net asset value:		Cost		Fair Value
31 December 2008				
Lehman Crossroads Fund XVII	$	32,790,091	$	28,708,065
Lehman Crossroads Fund XVIII				
Large-cap Buyout		9,515,384		6,898,647
Mid-cap Buyout		20,691,438		20,322,741
Special Situations		7,916,738		6,087,534
Venture Capital		5,204,646		5,138,533
	$	43,328,206	$	38,447,455
Total	**$**	**76,118,297**	**$**	**67,155,520**
31 December 2007				
Lehman Crossroads Fund XVII	$	29,035,543	$	30,905,466
Lehman Crossroads Fund XVIII				
Large-cap Buyout		7,204,661		7,389,983
Mid-cap Buyout		15,203,212		15,290,997
Special Situations		5,777,429		5,920,082
Venture Capital		3,184,190		3,052,044
	$	31,369,492	$	31,653,106
Total	**$**	**60,405,035**	**$**	**62,558,572**

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited
(f/k/a Lehman Brothers Private Equity Partners Limited)
Consolidated Condensed Schedule of Private Equity Investments

Geographic diversity of private equity investments: [1]	Fair Value 31 December 2008	Fair Value 31 December 2007
North America	$ 315,261,853	$ 283,427,108
Europe	77,983,849	86,680,555
Asia / Rest of World	10,580,352	8,544,905
Not classified	44,455,149	41,936,416
Total	**$ 448,281,203**	**$ 420,588,984**

Industry diversity of private equity investments: [2]	Fair Value 31 December 2008	Fair Value 31 December 2007
Energy / Utilities	24.6%	18.2%
Diversified / Undisclosed / Other	15.7%	15.9%
Financial Services	11.2%	13.0%
Industrials	9.8%	8.7%
Consumer / Retail	9.0%	11.5%
Technology / IT	7.7%	10.5%
Healthcare	7.6%	6.1%
Business Services	6.2%	4.3%
Communications / Media	5.6%	8.7%
Transportation	2.6%	3.1%
Total	**100.0%**	**100.0%**

1. *Geography is determined by location of the headquarters of the underlying portfolio companies in funds and direct co-investments. A portion of our fund investments may relate to cash, or other assets or liabilities that they hold and for which we do not have adequate information to assign a geographic location.*
2. *Industry diversity is based on underlying portfolio companies and direct co-investments.*

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited
(f/k/a Lehman Brothers Private Equity Partners Limited)
Consolidated Statements of Operations and Changes in Net Assets
For the Year Ended 31 December 2008

Interest and dividend income	$	4,649,063
Expenses		
Investment management and services		6,657,458
Administration and professional		3,555,171
Debt facility		3,094,583
		13,307,212
Net investment income (loss)		(8,658,149)
Realized and unrealized gain (loss) on investments, including transactions in currencies other than U.S. dollars		
Net realized gain (loss) on investments, including transactions in currencies other than U.S. dollars, net of taxes of $132,826		(10,516,847)
Net change in unrealized gain (loss) on investments, including transactions in currencies other than U.S. dollars, net of taxes of $1,595,455		(107,127,723)
Net realized and unrealized gain (loss) on investments, including transactions in currencies other than U.S. dollars		(117,644,570)
Net increase (decrease) in net assets resulting from operations	$	(126,302,719)
Less allocations to minority interest		(126,303)
Net increase (decrease) in net assets resulting from operations after allocations to minority interest	**$**	**(126,176,416)**
Net assets at beginning of year		562,458,084
Less cost of 1,712,137 shares of treasury stock		5,797,402
Net assets at end of year	**$**	**430,484,266**
Loss per share for Class A and Class B shares	**$**	**(2.34)**

The accompanying notes are an integral part of the consolidated financial statements.

NB Private Equity Partners Limited
(f/k/a Lehman Brothers Private Equity Partners Limited)
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2008

Cash flows from operating activities	
Net increase (decrease) in net assets resulting from operations after minority interest	$ (126,176,416)
Net increase (decrease) in net assets resulting from operations allocated to minority interest	(126,303)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to cash and cash equivalents used in operating activities:	
Net realized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes	10,516,847
Net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes	107,127,723
Amortization	389,474
Change in other assets	(738,318)
Change in payables to Investment Manager and affiliates	(2,518,209)
Change in accrued expenses and other liabilities	(689,081)
Net cash provided by (used in) operating activities	(12,214,283)
Cash flows from investing activities	
Distributions from private equity investments	48,859,339
Proceeds from sale of investments	1,330,854
Contributions to private equity investments	(175,680,775)
Purchases of investments	(14,852,110)
Net cash provided by (used in) investing activities	(140,342,692)
Cash flows from financing activities	
Loan proceeds	151,402,038
Treasury stock purchased	(5,761,348)
Net cash provided by (used in) financing activities	145,640,690
Effect of exchange rates on cash balances	771,527
Net increase (decrease) in cash and cash equivalents	**(6,144,758)**
Cash and cash equivalents at beginning of year	145,348,777
Cash and cash equivalents at end of year	**$ 139,204,019**

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – Organization

NB Private Equity Partners Limited and its subsidiaries (the “Company”, “We”, or “Our”) is a closed-end investment company incorporated and registered with Her Majesty’s Greffier in Guernsey under the Companies (Guernsey) Law, 1994, as amended. We changed our name effective 27 March 2009 from Lehman Brothers Private Equity Partners Limited. Our registered office is Polygon Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. We invest in private equity through private equity funds and co-investments. We may also make opportunistic investments. Our Class A shares are listed solely on Euronext Amsterdam N.V.’s Eurolist by Euronext under the symbol “NBPE”. We commenced operations on 25 July 2007, following the initial global offering of our Class A shares.

Our Class B shares were contributed by an affiliate of Lehman Brothers Holdings, Inc. (collectively with its affiliates, “Lehman Brothers”) to a Guernsey charitable trust whose trustee is Heritage Corporate Services Limited (“Trustee”). Class B shares have the right to elect all of our directors and make most other decisions usually made by shareholders. The voting rights of Class A shares are limited to special consent rights involving specified events including merger, change in investment manager or investment policy, certain additional share issuances and certain material related party transactions as well as other events as described in our memorandum and articles of association. Each Class A and B share participates equally in profits and losses.

The Royal Court in Guernsey confirmed on 19 October 2007 an application by the Company to reduce amounts classified in Guernsey as share premium and transfer the balance to a special reserve which is distributable. We have reflected such amounts in additional paid-in capital.

The Company is managed by Lehman Brothers Private Fund Advisers, LP a unit of Lehman Brothers Private Fund Investments Group (“PFIG”) and its affiliates (collectively, the “Investment Manager”) pursuant to an investment management and services agreement.

In accordance with the terms of the initial global offering, the Investment Manager bore the underwriting and placement fees and other expenses associated with it.

Lehman Brothers Holdings Inc. (“the Parent”) is the ultimate parent of the Investment Manager. The Parent filed for bankruptcy protection in September 2008. The Company and the Investment Manager were not subject to the bankruptcy filing. A newly-organized company formed by certain members of the senior management team of Lehman Brothers Investment Management Division (“IMD”) has entered into an agreement with Lehman Brothers Holdings Inc. (“LBHI”) to acquire a majority interest in certain businesses that have historically operated under the Neuberger Berman name and the fixed income and alternative asset management businesses of IMD, which includes certain assets of PFIG and other business units of IMD. As part of the proposed transaction (the “Transaction”), the newly organized company or its successor or assigns, will be named Neuberger Berman Group LLC (“NBG”). At the closing of the Transaction, 51% of NBG’s common equity will be issued, or reserved for issuance, to a group consisting of portfolio managers, members of the senior management team and other senior professionals of IMD and 49% of NBG’s common equity will be issued to LBHI and/or its affiliates. In the Transaction, certain of the assets of the Investment Manager, including the investment advisory agreement between the Investment Manager and the Company, would be sold to newly formed entities wholly owned directly or indirectly by NBG. In addition, a portion of the Parent’s Special Limited Partner interest in a consolidated partnership subsidiary would be transferred to NBG, with the remainder being divided amongst the individuals working on the Company. The board of directors of the Company has consented to the Transaction on behalf of the Company. It is currently anticipated that the Transaction will close on or before 30 April 2009.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation
These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as allowed by rules published in the Netherlands to effect implementation of the EU Transparency Directive, and are presented in United States dollars. The Company has utilized the transitional provision of the Companies Law (Guernsey) 2008 to continue to prepare its financial statements in accordance with the Companies Law (Guernsey) 1994.

Principles of Consolidation
The consolidated financial statements include accounts of the Company consolidated with the accounts of all its subsidiaries in which we hold a controlling financial interest as of the financial statement date. All material inter-company balances have been eliminated.

Cash and Cash Equivalents
Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. These investments represent amounts held with financial institutions that are readily accessible to pay expenses or fund investments as well as money market mutual funds. As of 31 December 2008, $138,776,304 is held with JPMorgan.

Valuation of Investments
The Company carries private equity investments on its books at fair value in accordance with U.S. GAAP. We use the best information we have reasonably available to determine or estimate fair value. Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. We determine such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis. We estimate fair value for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events.

The Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements, ("FAS 157") at commencement of operations.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active." This statement clarifies that determining fair value in an inactive or dislocated market depends on facts and circumstances and requires significant management judgment. This statement specifies that it is acceptable to use inputs based on management estimates or assumptions, or for management to make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available. Our fair value measurement policies are consistent with the guidance in FSP No. FAS 157-3.

Because of their inherent uncertainty, the fair values we use may differ significantly from the values that would have been used had a ready market for these investments existed, and such differences could be material to the consolidated financial statements.

Generally, our private equity fund investments have a defined term and no right to withdraw.

Market Risk
The Company's exposure to financial risks is both direct (through its holdings of assets and liabilities directly subject to these risks) and indirect (through the impact of these risks on the overall valuation of its investments). The Company's investments are generally not traded in an active market but are indirectly exposed to market price risk arising from uncertainties about future values of the investments held. The partnership investments

of the Company each hold a portfolio of investments in underlying companies. These portfolio company investments vary as to type of security held by the underlying partnership (debt or equity, publicly traded or privately held), stage of operations, industry, geographic location, and geographic distribution of operations and size, all of which may impact the susceptibility of their valuation to market price risk.

Market conditions for publicly traded and privately held investments in portfolio companies held by the partnerships may affect their value in a manner similar to the potential impact on direct co-investments made by the Company in publicly traded and privately held securities. The partnership investments of the Company may also hold financial instruments (including debt and derivative instruments) in addition to their investments in portfolio companies that are susceptible to market price risk and therefore may also affect the value of the Company's investment in the partnerships. As with any individual investment, market prices may vary from composite index movements.

Investment Income
We earn interest and dividends from our direct investments in private equity, from the underlying portfolio companies of investments in private equity funds, and from our cash and cash equivalents. We record dividends when they are declared and interest when earned, provided we know the information or are able to reliably estimate it. Otherwise, we record the investment income when it is reported to us by our private equity investments.

Operating Expenses
Operating expenses are recognized when incurred. Operating expenses include amounts directly incurred by the Company as part of its operations, and do not include amounts incurred from the operations of the entities in which we invest.

Realized Gains and Losses on Investments
For investments in private equity funds, we record our share of realized gains and losses incurred when we know that the private equity fund has realized its interest in a portfolio company and we have sufficient information to quantify the amount. For all other investments, we record realized gains and losses when the asset is realized. We record such gains and losses on the trade date.

Net Change in Unrealized Appreciation and Depreciation of Investments
Gains and losses arising from changes in value are recorded as an increase or decrease in the unrealized appreciation or depreciation of investments based on the methodology described above.

Carried Interest
Carried interest amounts due the Investment Manager (see Note 3) are computed and accrued at each period end based on period-to-date results in accordance with the terms of the agreements.

Currency Translation
Investments denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as of the valuation date. The Company does not separate the changes relating to currency exchange rates from those relating to changes in the fair value of the investments held. These fluctuations are combined and included in the net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars in the Consolidated Statement of Operations. For the year ended 31 December 2008, the effect of translation to U.S. dollars decreased valuations of foreign investments by approximately $689,619. In addition, cash equivalents denominated in Euros increased in value due to translation to U.S. dollars by a net of $771,527. For the year ended 31 December 2008, we experienced realized gains of $2,992,452 and unrealized losses of $2,220,925 related to currency translation and transactions.

The Company has unfunded commitments denominated in a currency other than U.S. dollars. These unfunded commitments are in Euros and amounted to €15,457,856 at 31 December 2008; they have been included in the Consolidated Condensed Schedule of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 December 2008. For the year ended 31 December 2008, the effect on the unfunded commitment of the change in the exchange rate between Euros and U.S. dollars was a decrease in the U.S. dollar obligation of approximately $841,272.

Income Taxes

The Company is registered in Guernsey as an exempt company. The States of Guernsey Income Tax Authority has granted the Company an exemption from Guernsey income tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and the Company has been charged an annual exemption fee of £600.

With effect from 1 January 2008, Guernsey abolished the exempt company regime for some entities. At the same time the standard rate of Guernsey income tax for companies declined from 20% to 0%. Therefore some entities previously exempt from tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 are now subject to tax, but at a 0% rate. However, the States of Guernsey Income Tax Authority has confirmed that collective investment schemes such as the Company can continue to apply for exempt status.

Generally, income that we derive may be subject to withholding taxes imposed by the U.S. or other countries and will impact the Company's effective tax rate.

Investments made in entities that generate U.S. source investment income may subject the Company to certain U.S. federal and state income tax consequences. A U.S. withholding tax at the rate of 30 percent may be applied on the distributive share of any U.S. source dividends and interest (subject to certain exemptions) and certain other income that we receive directly or through one or more entities treated as either partnerships or disregarded entities for U.S. federal income tax purposes.

Investments made in entities that generate business income that is effectively connected with a U.S. trade or business may subject the Company to certain U.S. federal and state income tax consequences. Generally the U.S. requires withholding on effectively connected income at the highest U.S. rate (generally 35 percent). In addition, the Company may also be subject to a branch profits tax which can be imposed at a rate of up to 30 percent of the after-tax profits treated as effectively connected income associated with a U.S. trade or business. As such, the aggregate U.S. tax liability on effectively connected income may approximate 54.5% given the two levels of tax.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ("FIN 48"), the Company recognizes a tax position in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. The Company adopted FIN 48 at commencement of operations in July of 2007.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. FIN48 provides for a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." The first step is to evaluate the tax position for recognition by determining if the weight of the available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Although we believe we have adequately reserved for our uncertain tax position, no assurance can be given that the final tax outcome of these matters will not be different.

Deferred taxes are recorded to reflect the tax benefit and consequences of future years' differences between the tax basis of assets and liabilities and their financial reporting basis. We record a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. We record the tax associated with any transactions with U.S. or other tax consequences when we recognize the related income.

Shareholders in certain jurisdictions may have individual tax consequences from ownership of our shares. We have not accounted for any such tax consequences in these financial statements. For example, we expect the Company and certain of its non-U.S. corporate subsidiaries to be treated as passive foreign investment corporations ("PFICs)" under U.S. tax rules. For this purpose, the PFIC regime should not give rise to additional tax at the level of the Company or its subsidiaries. Instead, certain U.S. investors in the Company may need to make tax elections and comply with certain U.S. reporting requirements related to their investments in the PFICs in order to potentially manage the adverse tax consequences associated with the tax regime.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the inherent uncertainty of such estimates, including estimates of values of investments as described above, amounts ultimately determined may differ from our current estimates and such differences may be significant.

Note 3 – Agreements, including related party transactions

We have the following significant agreements and transactions with the Investment Manager or its affiliates:

Management and Administration
We pay the Investment Manager a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the net asset value of our private equity and opportunistic investments. For purposes of this computation, the net asset value is reduced by the net asset value of any investment for which the Investment Manager also serves as investment manager. For the year ended 31 December 2008, the management fee expense was $6,175,941.

We also pay the Investment Manager for certain accounting and administrative services at the rate of 2.5 basis points per quarter (10 basis points per annum) applied to our net asset value at the end of each calendar quarter, computed as described above. The amount incurred by the Company for the year ended 31 December 2008 for these services was $481,517.

We pay to Heritage International Fund Managers Limited ("Heritage"), an affiliate of the Trustee, a fee for providing certain administrative functions relating to certain corporate services and Guernsey regulatory matters affecting the Company. Fees for these services are paid as invoiced by Heritage.

Special Limited Partner's Minority Interest in Subsidiary and Carried Interest
An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 December 2008, the minority interest of $416,440 represents the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation. At 31 December 2007, the minority interest of $542,743 represents the Special Limited Partner's capital contribution to the partnership subsidiary. The amount of the minority interest was agreed between the General Partner and Special Limited Partner of the subsidiary.

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5% of our consolidated net increase in net assets resulting from operations for a fiscal year in the event that our internal rate of return for such period, based on our net asset value, exceeds 7.5%. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the internal rate of return calculations for future periods. Carried interest is reduced by the amount of carried interest that we paid during the period to any investment for which the Investment Manager serves as investment manager. Carried interest is also accrued and paid on any economic gain that we realize on treasury stock transactions. (See note 9). Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 December 2008, no carried interest was payable.

Shares Owned by Lehman Brothers

Simultaneously with the closing of the initial offering of the Company and related transactions, affiliates of Lehman Brothers, which are not party to the bankruptcy filing of the Parent, purchased $145 million of Class A shares, in the form of restricted depositary shares applicable to investors in the United States, at the offering price. These shares are subject to a restriction on re-sale through 18 July 2010. The restriction can be removed only with the agreement of a majority of the Company's independent directors.

Pursuant to a trading plan commenced in November 2007 and terminated in November 2008, affiliates of Lehman Brothers acquired an additional 802,319 shares. Such shares were acquired on the open market and are not subject to any restrictions on re-sale.

Initial Investments Acquired from Lehman Brothers

In connection with the initial offering of the Company, we purchased from affiliates of Lehman Brothers a portfolio of private equity assets (the "Initial Investments") for an aggregate purchase price of $257.1 million. The Company also assumed related unfunded commitments aggregating $396.3 million. The purchase price for the Initial Investments was their aggregate net asset value as of 31 December 2006 plus the amount of capital calls on the related unfunded commitments, minus distributions in respect of such assets, plus interest through the date of purchase at 5.75 percent per annum.

Additional Investments Acquired from Lehman Brothers

During 2008 the Company bought mezzanine debt with a par value of $10,009,711 at $9,909,614 from an affiliate of the Parent. The Company believes that the transacted was at fair value at the date of the transaction.

Investments in Lehman Brothers Private Equity Funds

The Company holds limited partner interests in private equity funds of funds managed and sponsored by the Investment Manager. These investments are not party to the bankruptcy filing of the Parent. The net asset value of these investments is excluded for purposes of calculating any management fee. As of 31 December 2008 and 31 December 2007, the aggregate net asset value of these funds was approximately $67.2 million and $62.6 million, respectively, and associated unfunded commitments were $39.6 million and $59.4 million, respectively.

Investments in Lehman Brothers Liquidity Funds

Prior to September 2008, the Company invested its excess cash in listed money market funds sponsored by Lehman Brothers. As of 31 December 2007, balances in the Lehman Brothers Liquidity Funds comprised of the following: U.S. Dollar Liquidity Fund, $98,459,496 and Euro Liquidity Fund, $42,569,017. During the third quarter ended 30 September 2008, in the ordinary course of business balances in the Lehman Brothers Liquidity Funds were withdrawn and invested in unrelated money market funds.

Licensing Agreement with Lehman Brothers

The Company and its subsidiaries entered into a licensing agreement with Lehman Brothers pursuant to which Lehman Brothers granted to each such entity a non-exclusive, royalty-free license to use the name "Lehman Brothers". The licensing agreement terminates upon, among other things, the termination of the investment management and services agreement. In connection with the Transaction, the Company has changed its name to NB Private Equity Partners Limited and the Company's subsidiaries will change their names as well. The license to use the Lehman Brothers name will no longer be in effect following the Transaction.

Other

In addition to the amounts discussed above for carried interest and management and administration fees, as of 31 December 2008 and 31 December 2007, amounts payable to Investment Manager and affiliates related to various matters included $1,864,175 and $2,833,367, respectively. Other assets included a receivable from an affiliate of $462,500 at 31 December 2007.

Note 4 – Fair Value of Financial Instruments

We categorize our investments as follows based on inputs to valuation techniques.

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The following table details the Company's financial assets and liabilities that were accounted for at fair value as of 31 December 2008 and 31 December 2007 by level. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets at Fair Value as of 31 December 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 139,204,019	$ -	$ -	$ 139,204,019
Private equity investments	4,790,101	-	443,491,102	448,281,203
Total assets that are accounted for at fair value	**$ 143,994,120**	**$ -**	**$ 443,491,102**	**$ 587,485,222**

	Assets at Fair Value as of 31 December 2007			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 145,348,777	$ -	$ -	$ 145,348,777
Private equity investments	415,564	7,942,624	412,230,796	420,588,984
Total assets that are accounted for at fair value	**$ 145,764,341**	**$ 7,942,624**	**$ 412,230,796**	**$ 565,937,761**

The Company has assessed its positions and concluded that all of its private equity investments are classified as level 3 with the following exceptions. As of 31 December 2008, one co-investment that is publicly traded is classified as level 1. As of 31 December 2007, marketable securities which were distributed from a private equity investment are classified as level 1 and one co-investment that is publicly traded but subject to a lock-up agreement is classified as level 2; a discount is recorded to reflect the lock-up agreement.

The following table summarizes the changes in the fair value of the Company's level 3 financial assets and liabilities:

Level 3 Financial Assets
For the Year Ended 31 December 2008

		Private Equity Investments
Balance, 31 December 2007	$	412,230,796
Total net realized gains (losses)		(13,765,482)
Total net unrealized gains (losses)		(100,843,833)
Purchases, issuances and settlements		146,648,205
Transfers in and/or (out) of level 3		(778,584)
Balance, 31 December 2008	**$**	**443,491,102**

Level 3 Financial Assets
For the Period from 25 July 2007 (Commencement of Operations) to 31 December 2007

		Private Equity Investments
Balance, 25 July 2007 (Commencement of Operations)	$	-
Total net realized gains (losses)		2,604,301
Total net unrealized gains (losses)		20,719,745
Purchases, issuances and settlements		388,906,750
Transfers in and/or (out) of level 3		-
Balance, 31 December 2007	**$**	**412,230,796**

Note 5 – Debt Facility

A subsidiary of the Company has entered into an agreement with The Bank of Scotland regarding a senior secured revolving credit facility (“Facility”) of up to $250 million. The term of the Facility is seven years and expires in August 2014. At 31 December 2008, $151 million has been borrowed and substantially all assets have been pledged pursuant to the following:

- a security interest in the Company’s interest in substantially all eligible funds or co-investments
- an undertaking to dispose of the Company’s assets in the event of continued default
- a security interest in the Company’s bank accounts
- a pledge over the share capital of any current or future subsidiary of the Company, provided such an arrangement would not violate the terms of the investment
- an assignment by the Company over future cash flows of its private equity investments
- a negative pledge by the Company in respect of the general partnership interests held
- an assignment of the Company’s rights under any key transactional documents entered into by the Company

The Company is required to meet certain portfolio diversification tests, a minimum fund/co-investment threshold, maximum exposure limitations, a maximum debt to value ratio, a maximum debt to secured assets ratio and a maximum over-commitment test. In addition, the Facility limits the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers, repurchase of shares, liens or other matters customarily restricted in such agreements. At 31 December 2008, the Company met all requirements under the Facility.

All borrowings under the Facility bear interest at a floating rate, calculated as LIBOR or Euribor, as appropriate, plus 1.35% per annum. At 31 December 2008, interest rates on the outstanding balance range from 3.1175% to 3.39125%.

In addition, we are required to pay a non-utilization fee calculated as 40 basis points per annum on the daily balance of the unused Facility amount. For the year ended 31 December 2008, we incurred and expensed $1,749,059 for interest and $872,417 for commitment fees related to the Facility. As of 31 December 2008 and 31 December 2007, unamortized capitalized debt issuance costs were $2,191,764 and $2,589,871, respectively. Capitalized amounts are being amortized on a straight-line basis over the term of the Facility. Amortized capitalized debt issuance costs were $398,107 for the year ended 31 December 2008.

An active market for the debt that is similar to that of the Facility does not exist. Management estimates the fair value of the Facility, which qualifies as financial instruments under SFAS No. 107, Disclosure about Fair Value of Financial Instruments, based on comparison to debt instruments with comparable characteristics. Management has estimated that the fair value of the Facility, based on the balance outstanding, is approximately $103.8 million at December 31, 2008. However, this estimate is affected by and is subject to significant variability due to the disruptions in the current market for such debt.

Subsequent to 31 December 2008, the Company amended the terms of the Facility to ensure that the Transaction does not cause an event of default.

Note 6 – Income Taxes

The Company is exempt from Guernsey tax on income derived from non-Guernsey sources. However, certain of its underlying investments generate income that is subject to tax in other jurisdictions, principally the United States. The Company has recorded the following amounts related to such taxes:

	31 December 2008
Current tax expense	$ 132,826
Deferred tax expense	1,595,455
Total tax expense	$ 1,728,281

	31 December 2008	31 December 2007
Gross deferred tax assets	$ 2,626,069	$ 895,540
Less valuation allowance	2,382,032	895,540
Gross deferred tax liabilities	3,825,569	1,902,103
Net deferred tax liabilities	**$ 3,581,532**	**$ 1,902,103**

Current tax expense is reflected in net realized gains and deferred tax expense is reflected in net changes in unrealized gains on the consolidated statement of operations. Net deferred tax liabilities are related to net unrealized gains and gross deferred tax assets, offset by a full valuation allowance, are related to unrealized losses on investments held in entities that file separate tax returns.

The Company has no gross unrecognized tax benefits under the FIN48 framework. Further, the Company has not yet been subject to examination by the tax authorities in any of the jurisdictions in which it operates.

Note 7 – Earnings per Share in Net Assets Resulting from Operations

The computations for earnings per share in net assets resulting from operations for the year ended 31 December 2008 are as follows:

		For the Year Ended 31 December 2008
Net increase (decrease) in net assets resulting from operations after allocations to minority interest	$	(126,176,416)
Divided by weighted average shares outstanding for Class A and B shares		53,953,427
Loss per share for Class A and B shares resulting from operations	**$**	**(2.34)**

Note 8 – Recently Issued Accounting Pronouncements

FAS 160

In December 2007, FASB issued the Statement of Financial Accounting Standards No. 160; Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51. The Statement amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest (also called a minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Statement is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited by the Statement. The Company does not expect adoption of this statement to have a material impact.

FAS 157-4

On April 9, 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("FSP 157-4"). This statement provides additional guidance to highlight and clarify the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for an asset or liability. The statement, which applies to all fair value measurements, does not change the objective of a fair value measurement. FAS 157-4 amends FAS 157 to require entities to disclose in interim and annual periods the inputs and valuation techniques used to measure fair value, together with any changes in valuation techniques and the related inputs during the period. FAS 157-4 is effective for the Company for the period ending June 30, 2009. We do not believe that the FSP 157-4 will have a material impact on our consolidated financial statements.

Note 9 – Treasury Stock

The Company has adopted a liquidity enhancement policy that is intended to enhance and strengthen the liquidity in the trading of the Company's class A shares. The Company entered into a liquidity enhancement agreement on 21 July 2008 with ABN AMRO Bank N.V. London Branch ("ABN") which was amended on 9 January 2009 and 14 April 2009. Such agreement provides the parameters and requirements for the Company's liquidity enhancement policy.

Under the agreement, ABN has sole discretion, in the name and for the account of the Company and subject to all applicable legal and regulatory requirements, to effect class A share repurchases and sales of class A shares held in treasury on Euronext Amsterdam within the parameters set out in the agreement.

Shares repurchased by the Company will either be cancelled or held in treasury (provided that the Company shall not at any time hold class A shares in treasury representing more than 10 percent of its issued class A shares). Shares will not be sold out of treasury at a price which is lower than the last published net asset value per share.

The aggregate number of class A shares which may be purchased in accordance with the agreement is subject to a maximum of 12.5 percent of the total number of class A shares outstanding as of 21 July 2008, or 6,776,250 shares, unless the Company elects to increase such maximum, subject to any limits to the authority granted to the Company by its shareholders to effect share repurchases. The Company currently has shareholder authority to repurchase in the market up to 14.99 percent of its issued shares. The authority to purchase shares shall expire at the annual general meeting of the Company in 2009 unless such authority is varied, revoked or renewed prior to such date. The Company intends to seek annual renewal of this authority from shareholders.

The maximum price which may be paid for a share is an amount equal to the higher of (i) the price of the last independent trade and (ii) the highest current independent bid price for shares on Euronext Amsterdam.

The agreement shall remain in force until 15 August 2009 subject to extension at the election of the Company. The agreement may, however, be terminated at any time by either the Company or ABN.

As of 31 December 2008, there were 52,497,863 Class A ordinary shares and 10,000 Class B ordinary shares outstanding, with 1,712,137 Class A ordinary shares held in treasury at a cost of $5,797,402.

Note 10 – Commitments and Contingencies

In the normal course of business, the Company enters into a variety of undertakings containing a variety of warranties and indemnifications that may expose the Company to some risk of loss. The amount of future loss, arising from such undertakings, while not quantifiable, is not expected to be significant.

Note 11 – Financial Highlights

The following financial highlights are being presented as set forth in the AICPA Audit and Accounting Guide for Investment Companies, as amended by AICPA Statement of Position 03-4:

Per share operating performance:		**Based on Average Shares Outstanding During the Year**
Net asset value, beginning of year	$	10.37
Treasury stock		0.19
Net increase in net assets resulting from operations:		
Net investment income (loss)		(0.16)
Net realized and unrealized gain (loss) on investments, including transactions in currencies other than U.S. dollars		(2.20)
Net asset value, end of year	**$**	**8.20**

Total return:	Based on Change in Net Asset Value per Share
Total return before carried interest	(20.94%)
Carried interest	-
Total return after carried interest	**(20.94%)**

Net investment income (loss) and expense ratios:	Based on Weighted Average Net Assets
Net investment income (loss)	(1.54%)
Expense ratios:	
Expenses before carried interest	2.37%
Carried interest	-
Total	**2.37%**

Individual shareholder returns may differ from the ratios presented based on differing entry dates into the Company.