NB PRIVATE EQUITY PARTNERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2011 and 2010

KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

The Members
NB Private Equity Partners Limited:

We have audited the accompanying consolidated balance sheets of NB Private Equity Partners Limited and Subsidiaries (the Company), including the consolidated condensed schedules of private equity investments, as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NB Private Equity Partners Limited and Subsidiaries as of December 31, 2011 and 2010, and the results of their operations, their changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 12, 2012

NB Private Equity Partners Limited

Consolidated Balance Sheets

31 December 2011 and 2010

Assets		2011		2010
Private equity investments				
(cost of $493,864,537 for 2011 and $537,626,591 for 2010)	$	538,393,517	$	591,438,896
Cash and cash equivalents		74,578,471		47,556,616
Restricted cash		3,364,018		-
Other assets		2,708,603		3,299,379
Total assets	**$**	**619,044,609**	**$**	**642,294,891**

Liabilities				
Liabilities:				
Credit facility loans	$	-	$	47,500,000
Zero dividend preference share liability		59,551,702		55,726,333
Payables to Investment Manager and affiliates		1,790,200		2,055,588
Accrued expenses and other liabilities		11,002,409		6,649,502
Net deferred tax liability		1,783,203		2,908,248
Total liabilities	**$**	**74,127,514**	**$**	**114,839,671**
Net assets				
Class A shares, $0.01 par value, 500,000,000 shares authorized,				
52,495,577 shares issued, and 49,345,169 shares outstanding for 2011				
(53,883,233 shares issued, and 50,732,825 shares outstanding for 2010)	$	524,956	$	538,832
Class B shares, $0.01 par value, 100,000 shares authorized,				
10,000 shares issued and outstanding		100		100
Additional paid-in capital		529,079,201		539,358,974
Retained earnings (deficit)		24,014,750		(3,713,018)
Less cost of treasury stock purchased (3,150,408 shares)		(9,248,460)		(9,248,460)
Total net assets of the controlling interest		544,370,547		526,936,428
Net assets of the non-controlling interest		546,548		518,792
Total net assets	**$**	**544,917,095**	**$**	**527,455,220**
Total liabilities and net assets	**$**	**619,044,609**	**$**	**642,294,891**
Net asset value per share for Class A and Class B shares	**$**	**11.03**	**$**	**10.38**
Net asset value per zero dividend preference share (Pence)		**115.83**		**107.95**

The accounts were approved by the board of directors on 12 March 2012 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

Consolidated Condensed Schedules of Private Equity Investments

31 December 2011 and 2010

Private equity investments		Cost		Fair Value		Unfunded Commitment		Private Equity Exposure
2011								
Fund investments	$	361,090,441	$	401,536,989	$	105,019,241	$	506,556,230
Direct co-investments-equity		111,592,039		116,757,312		201,281,082		318,038,394
Direct co-investments-debt		21,182,057		20,099,216		N/A		20,099,216
	$	**493,864,537**	**$**	**538,393,517**	**$**	**306,300,323**	**$**	**844,693,840**
2010								
Fund investments	$	426,600,243	$	475,202,891	$	111,790,734	$	586,993,625
Direct co-investments-equity		92,657,233		99,446,914		3,767,504		103,214,418
Direct co-investments-debt		18,369,115		16,789,091		N/A		16,789,091
	$	**537,626,591**	**$**	**591,438,896**	**$**	**115,558,238**	**$**	**706,997,134**

Private equity investments in excess of 5% of net asset value		Fair Value
2011		
NB Crossroads Fund XVII	$	35,953,112
NB Crossroads Fund XVIII		
Large-cap Buyout		11,074,039
Mid-cap Buyout		31,356,530
Special Situations		9,050,955
Venture		9,465,028
		60,946,552
Centerbridge Credit Partners Fund, L.P.		32,136,572
2010		
NB Crossroads Fund XVII	$	36,478,342
NB Crossroads Fund XVIII		
Large-cap Buyout		10,278,437
Mid-cap Buyout		30,197,181
Special Situations		9,233,511
Venture		8,399,985
		58,109,114
Centerbridge Credit Partners Fund, L.P.		32,116,316
OCM Opportunities Fund VIIb, L.P.		41,345,065

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

NB Private Equity Partners Limited

Consolidated Condensed Schedules of Private Equity Investments

31 December 2011 and 2010

Geographic diversity of private equity investments [1]	Fair Value 2011	Fair Value 2010
North America	$ 423,252,623	$ 429,877,666
Europe	91,559,644	86,424,281
Asia / Rest of World	16,528,161	13,198,409
Not classified	7,053,089	61,938,540
	$ 538,393,517	**$ 591,438,896**

Industry diversity of private equity investments [2]	Fair Value 2011	Fair Value 2010
Diversified / Undisclosed / Other	26.0%	21.1%
Energy / Utilities	13.5%	18.0%
Financial Services	11.9%	11.9%
Industrials	11.2%	10.0%
Consumer / Retail	9.0%	11.4%
Communications / Media	8.3%	8.1%
Healthcare	7.0%	5.9%
Technology / IT	5.6%	6.0%
Transportation	4.2%	4.1%
Business Services	3.3%	3.2%
	100.0%	**100.0%**

Asset class diversification of private equity investments [3]	Fair Value 2011	Fair Value 2010
Large-Cap Buyout	8.6%	21.4%
Large-Cap Buyout Co-Invest	8.1%	4.6%
Mid-cap Buyout	20.7%	19.5%
Mid-cap Buyout Co-Invest	12.3%	11.8%
Special Situation	31.6%	29.0%
Special Situation Co-Invest	6.1%	4.1%
Growth/Venture	8.0%	6.9%
Secondary Purchases	4.6%	2.7%
	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.

[3]: Asset class diversification is based on the net asset value of underlying fund investments and co-investments.

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

NB Private Equity Partners Limited

Consolidated Statements of Operations and Changes in Net Assets

For the years ended 31 December 2011 and 2010

		2011		2010
Interest and dividend income	$	5,734,583	$	2,195,535
Expenses				
Carried interest		-		44,535
Investment management and services		7,101,381		7,754,688
Administration and professional		2,627,841		4,236,405
Finance costs				
Zero dividend preference shares		4,338,615		3,882,092
Credit facility		1,485,848		1,934,167
		15,553,685		17,851,887
Net investment income (loss)	**$**	**(9,819,102)**	**$**	**(15,656,352)**
Realized and unrealized gains (losses)				
Net realized gain (loss) on investments, net of tax expense of $2,664,705 for 2011 and $1,015,800 for 2010	$	45,863,795	$	2,012,393
Net change in unrealized gain (loss) on investments, net of tax expense (benefit) of ($770,236) for 2011 and $2,112,471 for 2010		(8,289,169)		59,759,229
Net realized and unrealized gain (loss)		37,574,626		61,771,622
Net increase (decrease) in net assets resulting from operations	$	27,755,524	$	46,115,270
Less net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest		27,756		46,160
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	**$**	**27,727,768**	**$**	**46,069,110**
Net assets at beginning of year attributable to the controlling interest		526,936,428		483,169,412
Less cost of stock repurchased and cancelled (1,387,656 shares for 2011 and 326,767 shares for 2010)		10,293,649		2,302,094
Net assets at end of year attributable to the controlling interest	**$**	**544,370,547**	**$**	**526,936,428**
Earnings (loss) per share for Class A and Class B shares of the controlling interest	***$***	***0.55***	***$***	***0.90***

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

NB Private Equity Partners Limited
Consolidated Statements of Cash Flows
For the years ended 31 December 2011 and 2010

		2011		2010
Cash flows from operating activities:				
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$	27,727,768	$	46,069,110
Net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest		27,756		46,160
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:				
Net realized (gain) loss on investments		(45,863,795)		(2,012,393)
Net change in unrealized (gain) loss on investments		8,289,169		(59,759,229)
In-kind payment of interest income		(907,435)		(873,914)
Amortization of finance costs		672,357		464,366
Change in restricted cash		(3,364,018)		-
Change in other assets		(18,964)		319,922
Change in payables to Investment Manager and affiliates		(265,388)		(409,409)
Change in accrued expenses and other liabilities		3,363,027		5,308,737
Net cash provided by (used in) operating activities		(10,339,523)		(10,846,650)
Cash flows from investing activities:				
Distributions from private equity investments		87,840,197		46,801,173
Proceeds from sale of private equity investments		87,294,148		40,505,400
Contributions to private equity investments		(50,382,827)		(51,395,276)
Purchases of private equity investments		(29,596,491)		(25,639,175)
Net cash provided by (used in) investing activities		95,155,027		10,272,122
Cash flows from financing activities:				
Credit facility loan payments		(47,500,000)		(40,852,433)
Stock repurchased and cancelled		(10,293,649)		(2,302,094)
Credit facility loan borrowing		-		22,504,673
Proceeds from Issuance of Zero Dividend Preference Shares		-		4,904,286
Net cash provided by (used in) financing activities		(57,793,649)		(15,745,568)
Effect of exchange rates on cash balances		-		(34,809)
Net increase (decrease) in cash and cash equivalents		**27,021,855**		**(16,354,905)**
Cash and cash equivalents at beginning of year		47,556,616		63,911,521
Cash and cash equivalents at end of year	**$**	**74,578,471**	**$**	**47,556,616**
Supplemental cash flow information				
Interest paid	**$**	**65,233**	**$**	**653,205**
Net taxes paid	**$**	**1,408,585**	**$**	**72,013**
Supplemental non-cash flow investing activities				
Payable for investment purchased	**$**	**3,364,018**	**$**	**-**

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 registered in Guernsey. Our registered office is Heritage 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 and admitted to trading on Euronext Amsterdam by NYSE Euronext and on the Specialist Fund Market of the London Stock Exchange plc under the symbol “NBPE”. Our zero dividend preference shares (see note 6) are listed and admitted to trading on the Daily Official List of the Channel Islands Stock Exchange and the Specialist Fund Market of the London Stock Exchange under the symbol “NBPZ”.

Our Class B shares were contributed at the time of our initial public offering 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 incorporation. Each Class A and B share participates equally in profits and losses.

The Company is managed by NB Alternatives Advisers LLC (“NB Alternatives” or “Investment Manager”) pursuant to an investment management and services agreement. NB Alternatives is a subsidiary of Neuberger Berman Group LLC (“NBG”).

Note 2 – Summary of Significant Accounting Policies and Risks

Basis of Presentation

These consolidated financial statements give a true and fair value of the assets, liabilities, financial position and profit or loss and are in accordance 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 in compliance with the Companies (Guernsey) Law, 2008. These financial statements are presented in United States dollars.

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.

Credit Risk

Credit risk is the risk of losses due to the failure of counterparty to perform according to the terms of a contract. The Company may invest in a range of debt securities directly or in funds which do so. Until such investments are sold or are paid in full at maturity, the Company is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due. Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Company to a higher than normal amount of credit risk.

The cash and other liquid securities held can subject the Company to a concentration of credit risk. The Investment Manager attempts to mitigate the credit risk that exists with cash deposits and other liquid securities by regularly monitoring the credit ratings of such financial institutions and evaluating from time to time whether to hold some of the Company's cash and cash equivalents in U.S. Treasuries or other highly liquid securities.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Investment Manager mitigates this risk by monitoring the sufficiency of cash balances and availability under the credit facility to meet expected liquidity requirements for investment funding and operating expenses.

Use of Estimates

The preparation of the consolidated 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 consolidated 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.

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 balances represent amounts held with financial institutions that are readily accessible to pay expenses or fund investments. As of 31 December 2011 and 2010, $77,942,489 and $47,556,616 are held with JPMorgan Chase, respectively.

Restricted Cash

As of 31 December 2011, we are required to maintain a cash balance of at least $3,364,018 by an investment purchase agreement with a deferred payment provision.

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. If we conclude that it is probable that we will sell an investment, we adjust our carrying value to the amount we expect to realize from the sale, exclusive of transaction costs.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04") which amended ASC 820-10, Fair Value Measurements and Disclosures – Overall. The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. While many of the amendments to U.S. GAAP are not expected to have a significant effect on practice, the new guidance changes some fair value measurement principles and disclosure requirements. The amendments in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. The Company is currently evaluating the impact the adoption will have on the financial statements and disclosures.

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.

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 the 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 our investments.

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 and on the trade date. For all investments, realized gains and losses are recorded on a specific identification cost basis.

Net Change in Unrealized Gains and Losses of Investments

Gains and losses arising from changes in value are recorded as an increase or decrease in the unrealized gains or losses 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 in the Consolidated Statements of Operations and Changes in Net Assets. For the years ended 31 December 2011 and 2010, the effect of translation to U.S. dollars decreased valuations of foreign investments by approximately $537,909 and $1,016,947, respectively.

The Company has unfunded commitments denominated in a currency other than U.S. dollars. These unfunded commitments are in Euro and amounted to €5,096,820 and €7,387,103 at 31 December 2011 and 2010 respectively; they have been included in the Consolidated Condensed Schedules of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 December 2011 and 2010. 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 $224,289 and $1,827,354, for 31 December 2011 and 2010 respectively.

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.

Generally, income that we derive from our investments may be subject to, taxes imposed by the U.S. or other countries and will impact our 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 Company's 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. imposes withholding tax on effectively connected income at the highest U.S. rate (generally 35 percent). In addition, we 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 percent given the two levels of tax.

We recognize a tax benefit 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. To date, we have not provided any reserves for taxes as all related tax benefits have been fully recognized. Although we believe we have adequately assessed for our uncertain tax positions, we acknowledge that these matters require significant judgment and 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 income 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 regime.

Forward Foreign Exchange Contracts

Forward foreign exchange contracts are reported at fair value. See note 7.

Forward foreign exchange contracts involve elements of market risk in excess of the amounts reflected on the consolidated financial statements. We bear the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign exchange contract as well as risks from the potential inability of the counterparties to meet the terms of their contracts.

Note 3 – Agreements, including related party transactions

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 is separately compensated as investment manager. For the years ended 31 December 2011 and 2010, the management fee expenses were $6,566,664 and $7,192,204, respectively.

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 the net asset value of our private equity and opportunistic investments at the end of each calendar quarter, computed as described above. The amount incurred by the Company for the years ended 31 December 2011 and 2010 for these services were $534,717 and $562,484, respectively.

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. We paid Heritage $124,525 and $153,080 for the years ended 31 December 2011 and 2010, respectively, for such services.

For the years ended 31 December 2011 and 2010, we paid our independent directors a total of $195,000 and $219,944 respectively.

Expenses related to the Investment Manager are included in investment management and services in the consolidated statements of operations and changes in net assets. Administration and professional expenses include fees for directors, audit and tax, trustee, legal, listing, and other items.

Special Limited Partner's Noncontrolling Interest in Subsidiary

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 December 2011 and 2010, the noncontrolling interest of $546,548 and $518,792 represented the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation, respectively. The amount of the noncontrolling ownership interest in the subsidiary was agreed between the General Partner and Special Limited Partner of the subsidiary.

The following table reconciles the carrying amount of net assets, net assets attributable to the controlling interest and net assets attributable to the noncontrolling interest at 31 December 2011 and 2010.

	Controlling Interest	Noncontrolling Interest	Total
Net assets balance, 31 December 2009	$ 483,169,412	$ 472,632	$ 483,642,044
Net increase (decrease) in net assets resulting from operations	46,069,110	46,160	46,115,270
Stock repurchased and cancelled	(2,302,094)	-	(2,302,094)
Net assets balance, 31 December 2010	**$ 526,936,428**	**$ 518,792**	**$ 527,455,220**
Net increase (decrease) in net assets resulting from operations	27,727,768	27,756	27,755,524
Stock repurchased and cancelled	(10,293,649)	-	(10,293,649)
Net assets balance, 31 December 2011	**$ 544,370,547**	**$ 546,548**	**$ 544,917,095**

Carried Interest

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5 percent 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 percent. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the 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 10). Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 December 2011, no carried interest was accrued. As of 31 December 2010, $44,535 carried interest was accrued.

Shares Owned by Lehman Brothers

Simultaneously with the closing of the initial offering of the Company and related transactions, affiliates of Lehman Brothers, which were not party to the bankruptcy filing of LBHI, purchased 14,500,000 Class A shares, in the form of restricted depositary shares applicable to investors in the United States, at the offering price. The restriction on re-sale of these shares expired on 18 July 2010. Additionally, Lehman Brothers acquired 802,319 shares on the open market in 2007 and 2008, which are not subject to any restrictions on resale.

Investments with the Investment Manager's Platform

The Company holds limited partner interests in private equity funds of funds managed and sponsored by the Investment Manager. These investments are excluded from the calculation of management fees. As of 31 December 2011 and 2010, the aggregate net asset value of these funds was approximately $96.9 million and $94.6 million, respectively, and associated unfunded commitments were $19.7 million and $23.8 million, respectively.

We own a 50% interest in NB Fund of Funds Secondary 2009 LLC ("NBFOFS"). Other funds managed by the Investment Manager own the remaining interest. NBFOFS holds a portfolio of private equity funds acquired in a secondary transaction. NBFOFS pays no fees or carry and we bear our share of any direct expenses of NBFOFS.

We have committed $200 million to NB Alternatives direct co-investment program as of 31 December 2011.

We committed $50 million to Athyrium drug royalty program in February 2012.

Note 4 – Fair Value of Financial Instruments

We categorize our investments and other financial instruments 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 tables detail the Company's financial assets and liabilities that were accounted for at fair value as of 31 December 2011 and 2010 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 (Liabilities) Accounted for at Fair Value			
As of 31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 74,578,471	$ -	$ -	$ 74,578,471
Restricted cash	3,364,018	-	-	3,364,018
Private equity investments	3,509,338	-	534,884,179	538,393,517
Forward foreign exchange contract	-	-	(2,569,077)	(2,569,077)
Totals	**$ 81,451,827**	**$ -**	**$ 532,315,102**	**$ 613,766,929**
As of 31 December 2010				
Cash and cash equivalents	$ 47,556,616	$ -	$ -	$ 47,556,616
Private equity investments	-	-	591,438,896	591,438,896
Forward foreign exchange contract	-	-	(2,548,502)	(2,548,502)
Totals	**$ 47,556,616**	**$ -**	**$ 588,890,394**	**$ 636,447,010**

As of 31 December 2011 and 2010, the Company has assessed its positions and concluded that all of its private equity investments are classified as level 3, except for one publicly traded co-investment classified as level 1 as of 31 December 2011.

The following table summarizes the changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2011.

(dollars in thousands)

	For the Year Ended 31 December 2011						
	Large-cap Buyout	**Mid-cap Buyout**	**Special Situations**	**Growth/ Venture**	**Diversified**	**Secondary Purchases**	**Private Equity Investments**
Balance, 31 December 2010	$ 137,043	$ 183,922	$ 199,664	$ 27,656	$ 36,478	$ 6,676	$ 591,439
Purchases of investments and/or contributions to investments	21,310	9,883	35,396	5,968	2,349	7,979	82,885
Realized gain (loss) on investments	(5,405)	22,624	26,314	4,249	1,233	718	49,733
Changes in unrealized appreciation (depreciation) of investments (including changes related to investments still held at the reporting date)	(4,416)	(1,557)	(15,656)	(1,408)	2,762	1,324	(18,951)
Changes in unrealized appreciation (depreciation) of investments sold during the year	10,159	-	-	-	-	-	10,159
Distributions from investments	(75,619)	(42,486)	(42,157)	(8,200)	(6,870)	(1,049)	(176,381)
Transfers in and/or (out) of level 3	(4,000)	-	-	-	-	-	(4,000)
Balance, 31 December 2011	**$ 79,072**	**$ 172,386**	**$ 203,561**	**$ 28,265**	**$ 35,952**	**$ 15,648**	**$ 534,884**

The following table summarizes the changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2010.

(dollars in thousands)

For the Year Ended 31 December 2010	Large-cap Buyout	Mid-cap Buyout	Special Situations	Growth/ Venture	Diversified	Secondary Purchases	Private Equity Investments
Balance, 31 December 2009	$ 176,739	$ 150,726	$ 151,687	$ 19,115	$ 31,833	$ 4,713	$ 534,813
Purchases of investments and/or contributions to investments	8,940	23,732	28,780	6,175	3,887	1,784	73,298
Realized gain (loss) on investments	(8,843)	(1,833)	14,426	(697)	543	13	3,609
Changes in unrealized appreciation (depreciation) of investments (including changes related to investments still held at the reporting date)	15,803	20,860	15,769	3,063	5,771	843	62,109
Changes in unrealized appreciation (depreciation) of investments sold during the year	1,202	-	-	-	-	-	1,202
Distributions from investments	(56,798)	(9,563)	(10,998)	-	(5,556)	(677)	(83,592)
Transfers in and/or (out) of level 3	-	-	-	-	-	-	-
Balance, 31 December 2010	**$ 137,043**	**$ 183,922**	**$ 199,664**	**$ 27,656**	**$ 36,478**	**$ 6,676**	**$ 591,439**

There were no transfers between level 1 and level 2 during the years ended 31 December 2011 and 2010. The Company accounts for transfers at the end of the reporting period in which such transfers occur.

Generally, our private equity investments have a defined term and no right to withdraw. We receive distributions as the underlying investments are liquidated. The pace of liquidation depends on a number of factors. We estimate that the liquidation of our current portfolio will continue for another 10-15 years.

Our special situations investments include hedge funds valued at approximately $45.5 million and $44.7 million at 31 December 2011 and 2010 respectively. As of 31 December 2011, one hedge fund amounting to $13.4 million is redeemable quarterly with a 60 day advance notice. Another hedge fund amounting to $32.1 million is not redeemable for the first two to three years following investment, and has rolling two year lock-up periods thereafter. Hedge funds generally have a right to restrict redemptions in order to avoid a forced sale of underlying assets.

Note 5 – Credit Facility

A subsidiary of the Company has entered into an agreement with Lloyds Banking Group (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 2011 and 2010, $0 and $47.5 million were outstanding and substantially all assets are 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. The zero dividend preference shares (note 6) and the forward foreign exchange contract (note 7) are compliant with the credit facility agreement. At 31 December 2011 and 2010, 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 2010, interest rates on the outstanding balance range from 1.61828% to 1.6325% per annum.

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 2011, we incurred and expensed $25,481 for interest and $1,007,778 for non-utilization fees related to the Facility. For the year ended 31 December 2010, we incurred and expensed $616,302 for interest and $871,122 for non-utilization fees related to the Facility. As of 31 December 2011 and 2010, unamortized capitalized debt issuance costs (included in other assets) were $1,000,706 and $1,397,725 respectively. Capitalized amounts are being amortized on a straight-line basis over the term of the Facility. Such amortization amounted to $397,019 and $397,019 for the years ended 31 December 2011 and 2010, respectively.

An active market for debt that is similar to that of the Facility does not exist. Management estimates the fair value of the Facility based on comparison to debt instruments with comparable characteristics. Management has estimated that the fair values of the Facility, based on the balance outstanding, are approximately $0 and $44.5 million at 31 December 2011 and 2010 respectively. However, these estimates are affected by and are subject to significant variability due to the disruptions in the current market for such debt.

Note 6 – Zero Dividend Preference Shares

On 30 November 2009 the Company issued 30,000,000 zero dividend preference shares (“ZDP Shares”). On 16 April 2010 the Company issued additional 2,999,999 ZDP Shares. The additional ZDP Shares rank pari passu with the first ZDP Shares. The holders of the ZDP Shares are entitled to a redemption amount of 100.0 pence per ZDP Share as increased daily at such a daily compound rate as would give a final entitlement of 169.73 pence on 31 May 2017, resulting in an effective interest rate of 7.3% annually. The ZDP shares rank prior to the class A and B shares in respect of repayment of the final entitlement. However, they rank behind any borrowings that remain outstanding. They carry no entitlement to income and their entire return takes the form of capital.

The following table reconciles the liability for ZDP shares for the years ended 31 December 2011 and 2010.

Zero dividend preference shares	**Pounds Sterling**		**U.S. Dollars**	
Liability, 31 December 2009	£	30,236,761	$	48,871,677
Offering proceeds, 16 April 2010		3,080,443		4,904,286
Accrued interest		2,305,923		3,625,736
Unamortized premium		101,171		155,600
Currency conversion		-		(1,830,966)
Liability, 31 December 2010	£	35,724,298	$	55,726,333
Accrued interest		2,602,071		4,085,080
Premium amortization		(9,742)		(15,216)
Currency conversion		-		(244,495)
Liability, 31 December 2011	£	38,316,627	$	59,551,702

Capitalized offering costs amounted to $2,036,441 and $2,036,441 (included in other assets) as of 31 December 2011 and 2010 and are being amortized using the effective interest rate method. The unamortized balance at 31 December 2011 and 2010 is $1,480,969 and $1,749,720, respectively.

Note 7 – Forward Foreign Exchange Contract

The Company entered into a forward foreign exchange contract to economically hedge, in part, the currency risk associated with the pounds sterling contractual liability for the ZDP shares.

The contract provides that we will purchase £40,000,000 on 17 May 2017 for $64,820,000 from the Lloyds Banking Group (Bank of Scotland). The contract further provides that the security interests granted to the bank under the credit facility as described in note 5 also apply to any amounts we may owe the bank pursuant to this contract. As of 31 December 2011 and 2010, the fair value of the forward foreign exchange contract was ($2,569,077) and ($2,548,502) (included in accrued expenses and other liabilities), respectively, in the consolidated balance sheets.

Note 8 – 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 2011		31 December 2010	
Current tax expense	$	2,664,705	$	1,015,800
Deferred tax expense (benefit)		(770,236)		2,112,471
Total tax expense (benefit)	$	1,894,469	$	3,128,271

	31 December 2011		31 December 2010	
Gross deferred tax assets	$	1,184,461	$	4,866,958
Valuation allowance		(930,229)		(4,785,468)
Net deferred tax assets		254,232		81,490
Gross deferred tax liabilities		2,037,435		2,989,738
Net deferred tax liabilities	**$**	**1,783,203**	**$**	**2,908,248**

Current tax expense is reflected in net realized gains and deferred tax expense (benefit) is reflected in net changes in unrealized gains on the consolidated statements of operations. Net deferred tax liabilities are related to net unrealized gains and gross deferred tax assets, offset by a 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. The Company has been audited by the IRS for the tax year ended 30 November 2007; the audit resulted in no change to the tax the Company reported. The years subsequent to 2007 remain subject to examination.

Note 9 – Earnings (Loss) per Share

The computations for earnings (loss) per share for the years ended 31 December 2011 and 2010 are as follows:

	For the Years ended 31 December			
	2011		2010	
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$	27,727,768	$	46,069,110
Divided by weighted average shares outstanding for Class A and Class B shares of the controlling interest		50,092,462		51,048,666
Earnings (loss) per share for Class A and Class B shares of the controlling interest	**$**	**0.55**	**$**	**0.90**

Note 10 – Treasury Stock

The Company continues to maintain 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's Liquidity Enhancement Agreement with ABN AMRO Bank N.V. London Branch, which had been in force since 21 July 2008 (and which was subsequently renewed with The Royal Bank of Scotland N.V. ("RBS") on 29 June 2010), expired on 28 June 2011. Under the terms of Share Buy Back Programme (described below), the Liquidity Enhancement Agreement was suspended from 21 October 2010 to 28 June 2011.

On 22 October 2010, we launched a new Share Buy-Back Programme in order to begin implementing the Capital Return Policy. The Share Buy-Back Programme was extended on 30 August 2011, 29 November 2011, and 9 March 2012, and unless further extended, will end on 31 May 2012. Under the terms of the Share Buy-back Programme, Jefferies International Limited ("JIL") has been appointed to effect on-market repurchases of Shares on behalf of NBPE on Euronext Amsterdam and/or the Specialist Fund Market of the London Stock Exchange. Shares bought back under the Share Buy-Back Programme will be cancelled.

The aggregate number of class A shares which may be repurchased pursuant to the Share Buy-back Agreement is limited to 6,776,250 shares (being 12.5 per cent of the total number of class A shares outstanding as of 21 October 2010, the day before the Share Buy-back Programme commenced). The Company may 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 shares in the market, the aggregate value of which may be up to 14.99 percent of its net asset value on 1 January in the relevant year in which the buyback is made. The maximum price which may be paid for a class 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, in each case, with respect to the class A shares on the relevant exchange (being the Specialist Fund Market of the London Stock Exchange or Euronext Amsterdam by NYSE Euronext).

The following table summarizes the Company's shares at 31 December 2011 and 2010.

	31 December 2011	31 December 2010
Class A shares outstanding	49,345,169	50,732,825
Class B shares outstanding	10,000	10,000
	49,355,169	50,742,825
Class A shares held in treasury - number of shares	3,150,408	3,150,408
Class A shares held in treasury - cost	$ 9,248,460	$ 9,248,460
Class A shares repurchased and cancelled - number of shares	1,714,423	326,767
Class A shares repurchased and cancelled - cost	$ 12,595,743	$ 2,302,094

Note 11 – Financial Highlights

Per share operating performance (based on average shares outstanding during the year)	**2011**	**2010**
Beginning net asset value 1 January	$ 10.38	$ 9.46
Stock repurchased and cancelled	0.10	0.02
Net increase in net assets resulting from operations:		
Net investment income (loss)	(0.20)	(0.31)
Net realized and unrealized gain (loss)	0.75	1.21
Ending net asset value 31 December	**$ 11.03**	**$ 10.38**
Average shares outstanding	**50,048,997**	**50,906,209**

Total return (based on change in net asset value per share)	**2011**	**2010**
Total return before carried interest	6.26%	9.83%
Carried interest	-	0.06%
Total return after carried interest	**6.26%**	**9.77%**

Net investment income (loss) and expense ratios (based on weighted average net assets)	**2011**	**2010**
Net investment income (loss)	(1.86%)	(3.20%)
Expense ratios:		
Expenses before interest and carried interest	2.94%	3.53%
Interest expense	-	0.13%
Carried interest	-	0.01%
Total	**2.94%**	**3.67%**

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

Note 12 – 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 13 – Subsequent Events

Except as disclosed in note 3, there have been no subsequent events through 12 March 2012, the date the financial statements were issued, that require recognition or disclosure in the consolidated financial statements.