# NB Private Equity Partners Limited

## Consolidated Financial Statements

**For the Years** 31 December 2018 and 2017

KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

# Independent Auditors' Report

The Members
NB Private Equity Partners Limited:

We have audited the accompanying financial statements of NB Private Equity Partners Limited, which comprise the statement of assets, liabilities, and members' capital, including the schedule of investments as of December 31, 2018, and the related statements of operations, changes in members' capital, and cash flows for the year then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NB Private Equity Partners Limited as of December 31, 2018, and the results of its operations, changes in its members' capital and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas
April 12, 2019

## CONSOLIDATED FINANCIAL STATEMENTS | BALANCE SHEETS

| Assets | 2018 | 2017 |
|---|---|---|
| Private equity investments | | |
| Cost of $848,834,220 at 31 December 2018 and $781,600,125 at 31 December 2017 | $ 1,019,921,945 | $ 961,406,294 |
| Cash and cash equivalents | 23,012,039 | 25,746,450 |
| Other assets | 11,041,178 | 4,963,787 |
| Distributions and sales proceeds receivable from investments | 8,064,894 | 7,600,201 |
| **Total assets** | **$ 1,062,040,056** | **$ 999,716,732** |
| **Liabilities and share capital** | | |
| Liabilities: | | |
| ZDP Share liability | $ 134,934,698 | $ 71,085,013 |
| Credit facility loan | 40,000,000 | 60,000,000 |
| Accrued expenses and other liabilities | 9,373,163 | 3,204,878 |
| Payables to Investment Manager and affiliates | 3,665,423 | 3,476,013 |
| Net deferred tax liability | 795,688 | 1,535,683 |
| Carried interest payable to Special Limited Partner | - | 7,925,575 |
| **Total liabilities** | **$ 188,768,972** | **$ 147,227,162** |
| Share capital: | | |
| Class A Shares, $0.01 par value, 500,000,000 shares authorised, | | |
| 51,940,972 shares issued, and 48,790,564 shares outstanding | $ 519,410 | $ 519,410 |
| Class B Shares, $0.01 par value, 100,000 shares authorised, | | |
| 10,000 shares issued and outstanding | 100 | 100 |
| Additional paid-in capital | 525,157,490 | 525,157,490 |
| Retained earnings | 355,792,670 | 335,057,802 |
| Less cost of treasury stock purchased (3,150,408 shares) | (9,248,460) | (9,248,460) |
| **Total net assets of the controlling interest** | **872,221,210** | **851,486,342** |
| Net assets of the noncontrolling interest | 1,049,874 | 1,003,228 |
| **Total net assets** | **$ 873,271,084** | **$ 852,489,570** |
| **Total liabilities and net assets** | **$ 1,062,040,056** | **$ 999,716,732** |
| **Net asset value per share for Class A Shares and Class B Shares** | **$ 17.87** | **$ 17.45** |
| **Net asset value per share for Class A Shares and Class B Shares (GBP)** | **£ 14.03** | **£ 12.91** |
| **Net asset value per 2022 ZDP Share (Pence)** | **109.41** | **105.21** |
| **Net asset value per 2024 ZDP Share (Pence)** | **102.48** | **N/A** |

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

## CONSOLIDATED FINANCIAL STATEMENTS | CONDENSED SCHEDULES OF PRIVATE EQUITY INVESTMENTS

| Private equity investments | | Cost | | Fair Value | | Unfunded Commitment | | Private Equity (1) Exposure |
|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | |
| Direct equity investments | | | | | | | | |
| NB Alternatives Direct Co-investment Program A* | $ | 61,423,017 | $ | 69,704,160 | $ | 19,959,605 | $ | 89,663,765 |
| NB Alternatives Direct Co-investment Program B* | | 92,294,067 | | 120,816,305 | | 55,545,207 | | 176,361,512 |
| NB Renaissance Program | | 17,627,261 | | 19,857,099 | | 21,285,325 | | 41,142,424 |
| NB Healthcare Credit Investment Program (Equity) | | 7,236,888 | | 6,665,356 | | 4,158,286 | | 10,823,642 |
| Marquee Brands | | 15,554,933 | | 19,929,714 | | 13,821,594 | | 33,751,308 |
| Direct equity investments(2) | | 449,949,351 | | 594,133,158 | | 283,252 | | 594,416,410 |
| Total direct equity investments | $ | 644,085,517 | $ | 831,105,792 | $ | 115,053,269 | $ | 946,159,061 |
| Income Investments | | | | | | | | |
| NB Credit Opportunities Program | | 10,850,964 | | 11,076,807 | | 37,255,311 | | 48,332,118 |
| NB Specialty Finance Program | | 1,500,000 | | 1,341,169 | | 48,500,000 | | 49,841,169 |
| Income investments | | 145,128,636 | | 122,680,559 | | - | | 122,680,559 |
| Total income investments | $ | 157,479,600 | $ | 135,098,535 | $ | 85,755,311 | $ | 220,853,846 |
| Fund investments | | 47,269,103 | | 53,717,618 | | 22,475,879 | | 76,193,497 |
| **Total investments** | **$** | **848,834,220** | **$** | **1,019,921,945** | **$** | **223,284,459** | **$** | **1,243,206,404** |
| **2017** | | | | | | | | |
| Direct equity investments | | | | | | | | |
| NB Alternatives Direct Co-investment Program A* | | 72,491,110 | | 107,015,802 | | 20,605,232 | | 127,621,034 |
| NB Alternatives Direct Co-investment Program B* | | 49,417,832 | | 64,668,624 | | 97,634,575 | | 162,303,199 |
| NB Renaissance Program | | - | | - | | 42,017,500 | | 42,017,500 |
| NB Healthcare Credit Investment Program (Equity) | | 10,773,218 | | 7,023,637 | | 4,381,203 | | 11,404,840 |
| Marquee Brands | | 12,769,389 | | 16,028,103 | | 16,922,243 | | 32,950,346 |
| Direct equity investments(2) | | 368,582,097 | | 503,826,855 | | 599,770 | | 504,426,625 |
| Total direct equity investments | $ | 514,033,646 | $ | 698,563,021 | $ | 182,160,523 | $ | 880,723,544 |
| Income Investments | | | | | | | | |
| NB Healthcare Credit Investment Program (Debt) | | 3,284,256 | | 5,464,248 | | - | | 5,464,248 |
| NB Credit Opportunities Program | | 4,219,709 | | 4,543,791 | | 45,716,467 | | 50,260,258 |
| Income investments | | 162,790,616 | | 145,206,082 | | - | | 145,206,082 |
| Total income investments | $ | 170,294,581 | $ | 155,214,121 | $ | 45,716,467 | $ | 200,930,588 |
| Fund investments | $ | 97,271,898 | $ | 107,629,152 | $ | 39,698,555 | $ | 147,327,707 |
| **Total investments** | **$** | **781,600,125** | **$** | **961,406,294** | **$** | **267,575,545** | **$** | **1,228,981,839** |

* These investments are above 5% of net asset value. None of the underlying private equity investments held by the funds listed above exceed 5% of net asset value.

(1): *Private equity exposure is the sum of fair value and unfunded commitment.*

(2): *Includes direct equity investments into companies and co-investment vehicles.*

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

## **CONSOLIDATED FINANCIAL STATEMENTS** | CONDENSED SCHEDULES OF PRIVATE EQUITY INVESTMENTS

| Geographic diversity of private equity investments [(1)] | | Fair Value 2018 | | Fair Value 2017 |
|---|---|---|---|---|
| North America | $ | 794,287,663 | $ | 794,000,475 |
| Europe | | 168,071,917 | | 122,031,445 |
| Asia / rest of world | | 57,015,958 | | 39,265,132 |
| Not classified | | 546,407 | | 6,109,242 |
| | **$** | **1,019,921,945** | **$** | **961,406,294** |

| Industry diversity of private equity investments [(2)] | 2018 | 2017 |
|---|---|---|
| Technology / IT | 19.4% | 17.8% |
| Healthcare | 14.7% | 10.6% |
| Industrials | 19.3% | 18.4% |
| Consumer discretionary | 13.9% | 10.6% |
| Financial services | 7.9% | 12.0% |
| Business services | 12.9% | 13.0% |
| Energy | 2.9% | 5.5% |
| Communications / media | 6.6% | 6.1% |
| Diversified / undisclosed / other | 0.3% | 2.7% |
| Transportation | 2.1% | 3.3% |
| | **100.0%** | **100.0%** |

| Asset class diversification of private equity investments [(3)] | 2018 | 2017 |
|---|---|---|
| Large-cap buyout | 0.2% | 0.7% |
| Large-cap buyout co-invest | 23.3% | 23.0% |
| Mid-cap buyout | 0.9% | 2.7% |
| Mid-cap buyout co-invest | 42.7% | 35.2% |
| Special situation | 1.7% | 3.7% |
| Special situation co-invest | 9.5% | 8.9% |
| Income investments | 14.1% | 16.2% |
| Growth / venture | 2.1% | 3.5% |
| Growth equity co-invest | 5.3% | 5.6% |
| Secondary purchases | 0.2% | 0.5% |
| | **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 which may be held through either co-investments or NB-managed vehicles.*

(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.

## CONSOLIDATED FINANCIAL STATEMENTS | STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Interest and dividend income** | $ | 17,375,522 | $ | 16,488,513 |
| **Expenses** | | | | |
| Investment management and services | | 14,297,557 | | 11,904,626 |
| Carried interest | | - | | 7,925,575 |
| Finance costs | | | | |
| Credit facility | | 4,510,795 | | 3,152,152 |
| ZDP Shares | | 4,808,016 | | 3,396,519 |
| Administration and professional fees | | 3,639,437 | | 4,039,978 |
| | | 27,255,805 | | 30,418,850 |
| **Net investment income (loss)** | **$** | **(9,880,283)** | **$** | **(13,930,337)** |
| **Realised and unrealised gains (losses)** | | | | |
| Net realised gain (loss) on investments and forward foreign exchange contracts, net of tax expense (benefit) of $501,826 for 2018 and $304,408 for 2017 | $ | 64,354,766 | $ | 89,355,829 |
| Net change in unrealised gain (loss) on investments and forward foreign exchange contracts, net of tax expense (benefit) of ($739,995) for 2018 and $509,577 for 2017 | | (7,828,670) | | 23,927,442 |
| Net realised and unrealised gain (loss) | | 56,526,096 | | 113,283,271 |
| Net increase (decrease) in net assets resulting from operations | $ | 46,645,813 | $ | 99,352,934 |
| Less net (increase) decrease in net assets resulting from operations attributable to the noncontrolling interest | | (46,646) | | (107,279) |
| **Net increase (decrease) in net assets resulting from operations attributable to the controlling interest** | **$** | **46,599,167** | **$** | **99,245,655** |
| Net assets at beginning of period attributable to the controlling interest | | 851,486,342 | | 776,640,969 |
| Less dividend payment | | (25,864,299) | | (24,400,282) |
| **Net assets at end of period attributable to the controlling interest** | **$** | **872,221,210** | **$** | **851,486,342** |
| ***Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest*** | ***$*** | ***0.95*** | ***$*** | ***2.03*** |
| ***Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest (GBP)*** | ***£*** | ***0.72*** | ***£*** | ***1.57*** |

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

## CONSOLIDATED FINANCIAL STATEMENTS | STATEMENTS OF CASH FLOWS

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net increase (decrease) in net assets resulting from operations attributable to the controlling interest | $ 46,599,167 | $ 99,245,655 |
| Net increase (decrease) in net assets resulting from operations attributable to the noncontrolling interest | 46,646 | 107,279 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities: | | |
| Net realised (gain) loss on investments and forward foreign exchange contracts, net of tax expense | (64,354,766) | (89,355,829) |
| Net change in unrealised (gain) loss on investments and forward foreign exchange contracts, net of tax expense | 7,828,670 | (23,927,442) |
| In-kind payment of interest income | (3,875,099) | (466,065) |
| Amortisation of finance costs | 918,454 | 640,707 |
| Amortisation of purchase premium/discount (OID), net | (1,368,609) | (1,790,283) |
| Change in other assets | (7,199,525) | (740,771) |
| Change in payables to Investment Manager and affiliates | (7,736,165) | 728,088 |
| Change in accrued expenses and other liabilities | 4,257,116 | 2,524,049 |
| Net cash provided by (used in) operating activities | (24,884,111) | (13,034,612) |
| | | |
| Cash flows from investing activities: | | |
| Distributions from private equity investments | 128,141,945 | 133,687,337 |
| Proceeds from sale of private equity investments | 92,533,630 | 108,421,067 |
| Contributions to private equity investments | (93,755,942) | (37,318,648) |
| Purchases of private equity investments | (126,408,083) | (278,542,510) |
| Net cash provided by (used in) investing activities | 511,550 | (73,752,754) |
| | | |
| Cash flows from financing activities: | | |
| Dividend payment | (25,864,299) | (24,400,282) |
| Redemption of 2017 Zero Dividend Preference Shares | - | (15,507,930) |
| Issuance of 2024 Zero Dividend Preference Shares | 66,430,000 | - |
| Borrowings from credit facility | 85,000,000 | 60,000,000 |
| Payments to credit facility | (105,000,000) | - |
| Settlement of the forward foreign exchange contract and ongoing hedging activity | 1,072,449 | (1,220,000) |
| Net cash provided by (used in) financing activities | 21,638,150 | 18,871,788 |
| | | |
| **Net increase (decrease) in cash and cash equivalents** | **(2,734,411)** | **(67,915,578)** |
| | | |
| Cash and cash equivalents at beginning of period | 25,746,450 | 93,662,028 |
| **Cash and cash equivalents at end of period** | **$ 23,012,039** | **$ 25,746,450** |
| **Supplemental cash flow information** | | |
| Interest paid | **$ 2,972,431** | **$ 1,830,218** |
| Net taxes paid (refunded) | **$ (12,012)** | **$ 370,791** |

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

**Note 1 – Description of the Group**

NB Private Equity Partners Limited (the "Company") and its subsidiaries, collectively (the "Group") is a closed-ended investment company registered in Guernsey. The registered office is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. The Group invests in private equity assets, which consist of direct equity investments, income investments and legacy fund investments, which are in realisation mode. Income investments include corporate private debt investments and healthcare credit investments, which consist of loans to companies in the healthcare sector and royalty backed notes. From time to time, the Group may also make other opportunistic investments, as appropriate. The Company's Class A Shares are listed and admitted to trading on the Premium Segment of the Main Market of the London Stock Exchange ("Main Market") under the symbols "NBPE" and "NBPU" corresponding to Sterling and U.S. dollar quotes, respectively. On 19 December 2018, NBPE delisted from the regulated market of Euronext Amsterdam N.V. NBPE has two classes of Zero Dividend Preference ("ZDP") Shares maturing in 2022 and 2024 (see note 5) which are listed and admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange ("Specialist Fund Segment") under the symbols "NBPP" and "NBPS", respectively.

The Group is managed by NB Alternatives Advisers LLC ("Investment Manager"), a subsidiary of Neuberger Berman Group LLC ("NBG"), pursuant to an Investment Management Agreement. The Investment Manager serves as the registered investment adviser under the Investment Advisers Act of 1940.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

These consolidated financial statements present a true and fair view of the financial position, profit or loss and cash flows and have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are in compliance with the Companies (Guernsey) Law, 2008. All adjustments considered necessary for the fair presentation of the consolidated financial statements for the periods presented have been included. These consolidated financial statements are presented in U.S. dollars.

The Group is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic ("ASC") 946. Accordingly, the Group reflects its investments on the Consolidated Balance Sheets at their estimated fair values, with unrealised gains and losses resulting from changes in fair value reflected in net change in unrealised gain (loss) on investments and forward foreign exchange contracts in the Consolidated Statements of Operations and Changes in Net Assets. The Group does not consolidate majority-owned or controlled portfolio companies. The Group does not provide any financial support to any of its investments beyond the investment amount to which it committed.

The directors considered that it is appropriate to adopt a going concern basis of accounting in preparing the consolidated financial statements. In reaching this assessment, the directors have considered a wide range of information relating to present and future conditions including the balance sheets, future projections, cash flows and the longer-term strategy of the business.

**Principles of Consolidation**

The consolidated financial statements include accounts of the Company consolidated with the accounts of all its subsidiaries in which it holds a controlling financial interest as of the financial statement date. All inter-group balances have been eliminated.

**Use of Estimates and Judgements**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the directors to make estimates and judgements 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. Actual results could differ from those estimates.

**Recent Accounting Pronouncements**

In August of 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13 Topic 820, Disclosure Framework – *Changes to the Disclosure Requirement for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 removes the requirement to disclose the valuation policy for Level 3 investments and provides modifications to the requirements for disclosure on Level 3 investments as well as transfers within the fair value hierarchy. This update is effective for fiscal years beginning after 15 December 2019, and early adoption is permitted. The Group has early adopted. This guidance does not have a material impact on the Group's financial statements.

**Fair Market Value Measurements**

It is expected that most of the investments in which the Group invests will meet the criteria set forth under FASB ASC 820 *Fair Value Measurement and Disclosures* ("ASC 820") permitting the use of the practical expedient to determine the fair value of the investments. ASC 820 provides that, in valuing alternative investments that do not have quoted market prices but calculate net asset value ("NAV") per share or equivalent, an investor may determine fair value by using the NAV reported to the investor by the underlying investment. To the extent ASC 820 is applicable to an investment, the Investment Manager will value the Group's investment based primarily on the value reported to the Group by the investment or by the lead investor / sponsor of a direct co-investment as of each quarter-end, as determined by the investments in accordance with its own valuation policies.

ASC 820-10 *Fair Value Measurements and Disclosure* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10-35-39 to 55 provides three levels of the fair value hierarchy as follows:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of the fair value require significant management judgement or estimation.

Observable inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, based on market data obtained from sources independent of the Group. Unobservable inputs reflect the Group's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities. The Group generally uses the NAV reported by the investments as a primary input in its valuation utilising the practical expedient method of determining fair value; however, adjustments to the reported NAV may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, any restrictions or illiquidity on such interest, any potential clawbacks by the investments and the fair value of the investments' investment portfolio or other assets and liabilities. Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient are not categorised in the fair value hierarchy.

**Realised Gains and Losses on Investments**

Realised gains and losses from sales of investments are determined on a specific identification basis. For investments in private equity funds, the Group records its share of realised gains and losses incurred when the Investment Manager knows that the private equity fund has realised its interest in a portfolio company and the Investment Manager has sufficient information to quantify the amount. For all other investments, realised gains and losses are recognised in the consolidated Statements of Operations and Changes in Net Assets in the year in which they arise.

**Net Change in Unrealised Gains and Losses on Investments**

Gains and losses arising from changes in value are recorded as an increase or decrease in the unrealised gains or losses of investments based on the methodology described above.

**Foreign Currency**

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the reporting date. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into U.S. dollar amounts on the date of such transactions. Adjustments arising from foreign currency transactions are reflected in the net realised gain (loss) on investments and forward foreign exchange contracts and the net change in unrealised gain (loss) on investments and forward foreign exchange contracts on the Consolidated Statements of Operations and Changes in Net Assets.

The Group's investments in funds of which capital is denominated in foreign currency are translated into U.S. dollars based on rates of exchange at the reporting date. The cumulative effect of translation to U.S. dollars has decreased the fair value of the Partnership's foreign investments by $600,038 as of 31 December 2018. The cumulative effect of translation to U.S. dollars increased the fair value of the Partnership's foreign investments by $584,785 as of 31 December 2017.

Other than the ZDP Shares denominated in Sterling, the Group has unfunded commitments denominated in currencies other than U.S. dollars. At 31 December 2018, the unfunded commitments that are in Euros amounted to €20,759,242 (31 December 2017: €36,721,669). They have been included in the Consolidated Condensed Schedules of Private Equity Investments at the U.S. dollar exchange rates in effect at 31 December 2018 and 2017. The effect on the unfunded commitment of the change in the exchange rates between Euros and U.S. dollars was a decrease in the U.S. dollar obligations of $378,015 for 31 December 2018 and an increase in the U.S. dollar obligation of $326,061 for 31 December 2017.

**Investment Transactions and Investment Income**

Investment transactions are accounted for on a trade date basis. Investments are recognised when the Group incurs an obligation to acquire a financial instrument and assume the risk of any gain or loss or incur an obligation to sell a financial instrument and forego the risk of any gain or loss. Investment transactions that have not yet settled are reported as receivable from investment or payable to investment.

The Group earns interest and dividends from direct investments and from cash and cash equivalents. The Group records dividends on the ex-dividend date, net of withholding tax, if any, and interest, on an accrual basis when earned, provided the Investment Manager knows the information or is able to reliably estimate it. Otherwise, the Group records the investment income when it is reported by the private equity investments. Discounts received or premiums paid in connection with the acquisition of loans are amortised into interest income using the effective interest method over the contractual life of the related loan. Payment-in-kind ("PIK") interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by obligator on the scheduled interest payment date. PIK interest is added to the principal balance of the loan and recorded as interest income. Prepayment premiums include fee income from securities settled prior to maturity date, and are recorded as interest income in the Consolidated Statements of Operations and Changes in Net Assets.

For the year ended 31 December 2018, total interest and dividend income was $17,375,522, of which $479,234 was dividends, $16,797,767 was interest income, and $98,521 was other forms of income. For the year ended 31 December 2017, total interest and dividend income was $16,488,513, of which $138,046 was dividends, $15,798,389 was interest income, and $552,078 was other forms of income. Realised gains and losses from sales of investments are determined on a specific identification basis.

**Cash and Cash Equivalents**

Cash and cash equivalents represent cash held in accounts at banks and liquid investments with original maturities of three months or less. Cash equivalents are carried at cost plus accrued interest, which approximates fair value. At 31 December 2018 and 2017, cash and cash equivalents consisted of $23,012,039 and $25,746,450 of cash, respectively, primarily held in operating accounts with JP Morgan Chase. Cash equivalents are held for the purpose of meeting short-term liquidity requirements, rather than for investment purposes. As of 31 December 2018, there were no cash equivalents. Cash and cash equivalents are subject to credit risk to the extent those balances exceed applicable FDIC or SIPC limitations.

**Income Taxes**

The Company is registered in Guernsey as an exempt company. The States of Guernsey Income Tax Authority has granted the Group an exemption from Guernsey income tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and the Group has been charged an annual exemption fee of £1,200 (2017: £1,200). Generally, income that the Group derives from the investments may be subject to taxes imposed by the U.S. or other countries and will impact the Group's effective tax rate.

In accordance with FASB ASC 740-10, *Income Taxes*, the Group is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. Tax positions not deemed to meet a more-likely-than-not threshold would be recorded as a tax expense in the current year

The Group files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Group is subject to examination by U.S. federal, state, local and foreign jurisdictions, where applicable. The Group's U.S. federal income tax returns are open under the normal three-year statute of limitations and therefore subject to examination. The Investment Manager does not expect that the total amount of unrecognised tax benefits will materially change over the next twelve months.

Investments made in entities that generate U.S. source investment income may subject the Group to certain U.S. federal and state income tax consequences. A U.S. withholding tax at the rate of 30% may be applied on the Group's distributive share of any U.S. sourced dividends and interest (subject to certain exemptions) and certain other income that the Group receives 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 Group 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 21%). In addition, the Group may also be subject to a branch profits tax which can be imposed at a rate of up to 23.7% 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 44.7% given the two levels of tax.

The Group recognises a tax benefit in the consolidated 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, the Group has not provided any reserves for taxes as all related tax benefits have been fully recognised. Although the Investment Manager believes uncertain tax positions have been adequately assessed, the Investment Manager acknowledges that these matters require significant judgement 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. The Group records 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 realised. Management subsequently adjusts the valuation allowance as the expected realisability of the deferred tax assets changes such that the valuation allowance is sufficient to cover the portion of the asset that will not be realised. The Group records the tax associated with any transactions with U.S. or other tax consequences when the Group recognises the related income.

Shareholders in certain jurisdictions may have individual income tax consequences from ownership of the Group's shares. The Group has not accounted for any such tax consequences in these consolidated financial statements. For example, the Investment Manager expects the Group 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 Group or its subsidiaries. Instead, certain U.S. investors in the Group 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 U.S. tax consequences associated with the regime.

**Forward Foreign Exchange Contracts**

Forward foreign exchange contracts are reported on the balance sheets at fair value and included either in other assets or accrued expenses and other liabilities, depending on each contract's unrealised position (appreciated / depreciated) relative to its notional value as of the end of the reporting periods. See note 6.

Forward foreign exchange contracts involve elements of market risk in excess of the amounts reflected on the consolidated financial statements. The Group bears 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.

**Reclassifications**

Certain amounts in the 2017 Statement of Operations and Changes in Net Assets have been reclassified to conform to the 2018 presentation.

**Operating Expenses**

Operating expenses are recognised when incurred. Operating expenses include amounts directly incurred by the Group as part of its operations, and do not include amounts incurred from the operations of the Group's investments.

**Carried Interest**

Carried interest amounts due to the Special Limited Partner (an affiliate of the Investment Manager, see note 10) are computed and accrued at each period end based on period-to-date results in accordance with the terms of the Third Amended and Restated Limited Partnership Agreement. For the purposes of calculating the incentive allocation payable to the Special Limited Partner, the value of any fund investments made by the Group in other Neuberger Berman Funds ("NB Funds") in respect of which the Investment Manager or an affiliate receives a fee or other remuneration shall be excluded from the calculation.

**Note 3 – Investments**

The Group invests in a diversified portfolio of private equity investments (see note 2). As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group has assessed these positions and concluded that all private equity investments not valued using the practical expedient, with the exception of marketable securities, are classified as either level 2 or level 3 due to significant unobservable inputs. Marketable securities distributed from a private equity investment are classified as level 1. As of 31 December 2018, there were two marketable securities held by the Group. As of 31 December 2017, there were no marketable securities held by the Group.

The following table details the Group's financial assets and liabilities that were accounted for at fair value as of 31 December 2018 and 2017 by level and fair value hierarchy.

| | Assets (Liabilities) Accounted for at Fair Value | | | | |
|---|---|---|---|---|---|
| **As of 31 December 2018** | **Level 1** | **Level 2** | **Level 3** | **Investments measured at net asset value[1]** | **Total** |
| Private equity investments | $ 8,722,528 | $ 10,305,561 | $ 260,318,559 | $ 740,575,297 | $1,019,921,945 |
| Forward foreign exchange contracts | - | (5,217,693) | - | - | (5,217,693) |
| **Totals** | **$ 8,722,528** | **$ 5,087,868** | **$ 260,318,559** | **$ 740,575,297** | **$1,014,704,252** |
| **As of 31 December 2017** | **Level 1** | **Level 2** | **Level 3** | **Investments measured at net asset value[1]** | **Total** |
| Private equity investments | $ - | $ 38,693,724 | $ 152,002,136 | $ 770,710,434 | $ 961,406,294 |
| Forward foreign exchange contract | - | 1,656,011 | - | - | 1,656,011 |
| **Totals** | $ - | **$ 40,349,735** | **$ 152,002,136** | **$ 770,710,434** | **$ 963,062,305** |

*(1) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorised in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Condensed Schedules of Private Equity Investments.*

The following table summarises the changes in the fair value of the Group's level 3 private equity investments for the year ended 31 December 2018.

| **(dollars in thousands)** | | | | | | |
|---|---|---|---|---|---|---|
| | **For the Year Ended 31 December 2018** | | | | | |
| | **Large-cap Buyout** | **Mid-cap Buyout** | **Special Situations** | **Growth/ Venture** | **Income Investments** | **Total Private Equity Investments** |
| Balance, 31 December 2017 | $ 2,000 | $ 21,288 | $ 108 | $ 25,301 | $ 103,305 | $ 152,002 |
| Purchases of investments and/or contributions to investments | - | 27,569 | 372 | 3,555 | 20,900 | 52,396 |
| Realised gain (loss) on investments | - | 11,789 | 147 | (1,185) | 9,372 | 20,123 |
| Changes in unrealised gain (loss) of investments still held at the reporting date | (2,000) | 7,046 | 3,221 | (3,138) | 394 | 5,523 |
| Changes in unrealised gain (loss) of investments sold during the period | - | (11,524) | (107) | 29 | 4,521 | (7,081) |
| Distributions from investments | - | (17,496) | (147) | (4,344) | (41,300) | (63,287) |
| Transfers into level 3 | - | 63,241 | 17,749 | - | 22,317 | 103,307 |
| Transfers out of level 3 | - | (2,664) | - | - | - | (2,664) |
| **Balance, 31 December 2018** | **$ -** | **$ 99,249** | **$ 21,343** | **$ 20,218** | **$ 119,509** | **$ 260,319** |

Investments were transferred into Level 3 as management's fair value estimate included significant unobservable inputs. Investments were transferred out of Level 3 into Investments Measured at Net Asset Value.

The following table summarises changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2017.

| (dollars in thousands) | | | | | | |
|---|---|---|---|---|---|---|
| | For the Year Ended 31 December 2017 | | | | | |
| | Large-cap Buyout | Mid-cap Buyout | Special Situations | Growth/ Venture | Income Investments | Total Private Equity Investments |
| Balance, 31 December 2016 | $ - | $ 44,395 | $ 4,199 | $ 5,588 | $ 82,824 | $ 137,006 |
| Purchases of investments and/or contributions to investments | - | 476 | - | 397 | 55,409 | 56,282 |
| Realised gain (loss) on investments | - | 31,018 | 2,639 | 138 | 4,954 | 38,749 |
| Changes in unrealised gain (loss) of investments still held at the reporting date | - | 5,284 | - | 1,361 | (70) | 6,575 |
| Changes in unrealised gain (loss) of investments sold during the period | - | (25,181) | (2,553) | - | 4,848 | (22,886) |
| Distributions from investments | - | (36,341) | (4,177) | (138) | (45,130) | (85,786) |
| Transfers into level 3 | 2,000 | 11,000 | - | 17,955 | 470 | 31,425 |
| Transfers out of level 3 | - | (9,363) | - | - | - | (9,363) |
| **Balance, 31 December 2017** | **$ 2,000** | **$ 21,288** | **$ 108** | **$ 25,301** | **$ 103,305** | **$ 152,002** |

Investments were transferred into Level 3 as management's fair value estimate included significant unobservable inputs. Investments were transferred out of Level 3 into Investments Measured at Net Asset Value.

The following table summarises the valuation methodologies and inputs used for private equity investments categorised in level 3 as of 31 December 2018.

| (dollars in thousands) Private Equity Investments | Fair Value 31 December 2018 | Valuation Methodologies | Unobservable Inputs[1] | Ranges (Weighted Average)[2] | Impact to Valuation from an Increase in Input[3] |
|---|---|---|---|---|---|
| Direct equity investments | | | | | |
| Large-cap buyout | $ - | Third Party Valuation | LTM EBITDA | 0.0x | Increase |
| Mid-cap buyout | 99,249 | Escrow Value | Escrow | N/A | Increase |
| | | Expected sales proceeds | N/A | N/A | Increase |
| | | Third Party Valuation | LTM EBITDA | 8.4x-14.2x (11.0x) | Increase |
| | | Market Approach | $ per Acre | $737 | Increase |
| Special situations | 21,343 | Third Party Valuation | LTM EBITDA | 7.7x-10.0x (8.5x) | Increase |
| | | Third Party Valuation | LTM Revenue | 2.6x | Increase |
| Growth / venture | 20,218 | Recent transaction value | N/A | N/A | Increase |
| | | Third Party Valuation | LTM EBITDA | 1.5x-16.2x (11.3x) | Increase |
| Income investments | 119,509 | Market comparable companies | LTM EBITDA | 7.3x-13.9x (10.7x) | Increase |
| Total | $ 260,319 | | | | |

*(1) LTM means Last Twelve Months, EBITDA means Earnings Before Interest Taxes Depreciation and Amortisation.*
*(2) Inputs weighted based on fair value of investments in range.*
*(3) Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.*

The following table summarises the valuation methodologies and inputs used for private equity investments categorised in level 3 as of 31 December 2017.

| (dollars in thousands) Private Equity Investments | Fair Value 31 December 2017 | Valuation Methodologies | Unobservable Inputs[1] | Ranges (Weighted Average)[2] | Impact to Valuation from an Increase in Input[3] |
|---|---|---|---|---|---|
| Direct equity investments | | | | | |
| Large-cap buyout | $ 2,000 | Other | Most recent financing | Not applicable | Increase |
| Mid-cap buyout | 21,288 | Other | Escrow Value | 1.0x | Increase |
| | | Other | Expected sales proceeds | 1.0x | Increase |
| | | Other | Most recent financing | Not applicable | Increase |
| Special situations | 108 | Other | Escrow Value | 1.0x | Increase |
| Growth / venture | 25,301 | Other | Most recent financing | Not applicable | Increase |
| Income investments | 103,305 | Market comparable companies | LTM EBITDA | 7.3x-13.1x (10.5x) | Increase |
| Total | $ 152,002 | | | | |

*(1) LTM means Last Twelve Months, EBITDA means Earnings Before Interest Taxes Depreciation and Amortisation.*
*(2) Inputs weighted based on fair value of investments in range.*
*(3) Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.*

Since 31 December 2017, there have been no changes in valuation methodologies within level 2 and level 3 that have had a material impact on the valuation of private equity investments.

Generally, fund investments have a defined term and no right to withdraw. In the case of fund investments, fund lives are typically ten years; however, a series of extensions often mean the lives can extend significantly beyond this. It should be noted that the life of a fund is based on the time it takes the General Partner to exit the final position in that fund, but the bulk of realisations typically occur considerably before the final exit, with only a small tail existing beyond the standard life of ten years. In the case of direct equity investments and income investments, the Investment Manager does not control the timing of exits but at the time of investment, typically expects investment durations to be meaningfully shorter than fund investments. Therefore, although some fund and direct investments may take 10-15 years to reach final realisation, the Investment Manager expects the majority of the Group's invested capital in the current portfolio to be returned in much shorter timeframes.

**Note 4 – Credit Facility**

On 7 June 2016, a subsidiary of the Company entered into an agreement with JP Morgan to provide for a revised senior secured revolving credit facility (the "Credit Facility"). The Credit Facility's availability is up to $150.0 million (including a $25.0 million accordion) and expires on 7 June 2021. The outstanding balance of the Credit Facility was $40.0 million at 31 December 2018 and $60.0 million at 31 December 2017.

The Credit Facility is guaranteed by the Company as well as all of the Company's subsidiaries and secured by substantially all of the assets of the Company and its subsidiaries.

Under the Credit Facility, the Group is required to meet certain portfolio concentration tests, a maximum over-commitment test, and certain loan-to-value ratios. In addition, the Credit 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 ZDP Shares (see note 5) are compliant with the Credit Facility agreements. At 31 December 2018, the Group met all requirements under the Credit Facility.

Under the Credit Facility, the interest rate is calculated as LIBOR plus 3.75% per annum and the Group is required to pay a commitment fee calculated as 1.25% per annum on the daily balance of the unused facility amount.

For the year ended 31 December 2018, the Group incurred and expensed $1,729,360 in interest, $1,207,550 for undrawn commitment fees and $1,121,081 for minimum utilisation fees. For the year ended 31 December 2017, the Group incurred and expensed $464,179 in interest and $1,467,361 for undrawn commitment fees and $767,808 for minimum utilisation fees. As of 31 December 2018 and 2017, unamortised capitalised debt issuance costs (included in Other assets on the Consolidated Balance Sheets) were $1,102,861 and $1,555,665, respectively. For the year ended 31 December 2018 and 2017, capitalised amounts are being amortised on a straight-line basis over the term of the Credit Facility. Such amortisation amounted to $452,804 and $452,804 for the year ended 31 December 2018 and 2017, respectively.

**Note 5 – Zero Dividend Preference Shares ("ZDP Shares")**

On 31 May 2017, the Company's 32,999,999 ZDP Shares issued in 2009 and 2010 were due to mature (the "2017 ZDP Shares"), resulting in an effective interest rate of 7.3% annually. As a result of the Rollover Offer (described below), there were 7,109,599 2017 ZDP Shares outstanding at maturity on 31 May 2017, all of which were fully redeemed and delisted from the Specialist Fund Segment and the Official List of The International Stock Exchange.

On 14 September 2016, the Company issued 50,000,000 additional ZDP Shares (the "2022 ZDP Shares") at a Gross Redemption Yield of 4.00%. Holders of the 2017 ZDP Shares were given the offer to rollover their shares to the 2022 ZDP Share series (the "Rollover Offer"). Under the Rollover Offer, eligible holders of the 2017 ZDP Shares converted (by way of re-designation) some or all of their holdings of 2017 ZDP Shares into 2022 ZDP Shares. The rollover was completed at a rollover value of 165.14 pence, and a portion of the 2017 ZDP Shares were converted (by way of re-designation) into 1.6514 2022 ZDP Shares. Approximately 85% of the 2022 ZDP Shares were issued through the Rollover Offer. Approximately 15% of the 2022 ZDP Shares were issued pursuant to the Initial Placing and Offer for Subscription at a price per 2022 ZDP Share of 100 pence. The holders of the 2022 ZDP Shares will have a final capital entitlement of 126.74 pence on the repayment date of 30 September 2022. As of 31 December 2018, there were 50,000,000 2022 ZDP Shares outstanding.

On 30 May 2018, the Company issued 50,000,000 additional ZDP Shares (the "2024 ZDP Shares") at a Gross Redemption Yield of 4.25%. The 2024 ZDP Shares were issued pursuant to the Initial Placing and Offer for Subscription at a price per 2024 ZDP Share of 100 pence. The holders of the 2024 ZDP Shares will have a final capital entitlement of 130.63 pence on the repayment date of 30 October 2024. As of 31 December 2018, there were 50,000,000 2024 ZDP Shares outstanding.

The 2022 ZDP Shares and 2024 ZDP Shares rank prior to the Class A and Class 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, which approximates fair value, for the years ended 31 December 2018 and 2017.

| **ZDP Shares** | **Pounds Sterling** | | **U.S. Dollars** | |
|---|---|---|---|---|
| **Liability, 31 December 2016** | £ | 62,313,251 | $ | 76,894,552 |
| Redemption of 2017 ZDP Shares | | (7,190,043) | | (8,872,514) |
| Premium amortisation on 2017 ZDP Shares | | (9,815) | | (12,111) |
| Net change in accrued interest on 2017 ZDP Shares | | (4,530,215) | | (5,364,543) |
| Net change in accrued interest on 2022 ZDP Shares | | 2,021,731 | | 2,574,629 |
| Currency conversion | | - | | 5,865,000 |
| **Liability, 31 December 2017** | £ | 52,604,909 | $ | 71,085,013 |
| Issuance of 2024 ZDP Shares | | 50,000,000 | | 66,430,000 |
| Net change in accrued interest on 2022 ZDP Shares | | 2,102,537 | | 2,824,368 |
| Net change in accrued interest on 2024 ZDP Shares | | 1,240,025 | | 1,620,544 |
| Currency conversion | | - | | (7,025,227) |
| **Liability, 31 December 2018** | £ | 105,947,471 | $ | 134,934,698 |

The total liability related to the 2022 ZDP Shares was £54,707,446 (equivalent of $69,675,402) and £52,604,909 (equivalent of $71,085,013) as of 31 December 2018 and 2017, respectively. The total liability balance related to the 2024 ZDP Shares was £51,240,025 (equivalent of $65,259,296) and £0 as of 31 December 2018 and 2017, respectively.

As of 31 December 2018, the 2022 ZDP Shares and the 2024 ZDP Shares were the only outstanding ZDP Share classes.

Capitalised offering costs are being amortised using the effective interest rate method. The unamortised balance of capitalised offering costs of the 2022 and 2024 ZDP Shares at 31 December 2018 was $1,969,368 and the unamortised balance of capitalised offering costs of the 2022 ZDP Shares at 31 December 2017 was $1,438,820.

**Note 6 – Forward Foreign Exchange Contracts**

The Group utlises rolling forward foreign currency contracts to economically hedge, in part, the risk associated with the pounds sterling contractual liability for the issued ZDP Shares (see note 5). The aforementioned forward foreign currency contracts are currently held with JP Morgan.

On 21 September 2016, the Group entered into a forward foreign currency contract with JP Morgan associated with the 2022 ZDP Shares which stated that the Group would purchase £50,000,000 on 31 May 2017 for $65,250,000 (the “2017 foreign currency contract”). On 31 May 2017, the Group incurred a realised loss on the settlement of the 2017 foreign currency contract of $1,220,000.

In anticipation of the settlement on 31 May 2017 of the 2017 foreign currency contract, the Group entered into a new forward foreign currency contract with JP Morgan associated with the 2022 ZDP Shares which states that the Group would purchase £30,000,000 on 31 May 2018 for $38,874,000 (the “2018 foreign currency contract”). On 31 May 2018, the Group incurred a realised gain on the settlement of the 2018 foreign currency contract of $1,072,449.
In anticipation of the settlement on 31 May 2018 of the 2018 foreign currency contract, on 25 May 2018, the Group entered into a new forward foreign currency contract with JP Morgan (the “2019 foreign currency contract A"). The 2019 foreign currency contract A states that the Group will purchase £30,000,000 on 31 May 2019 for $40,705,500.

Following the issuance of the 2024 ZDP Shares, on 31 May 2018, the Group entered into a new forward foreign currency contract with JP Morgan (the “2019 foreign currency contract B"). The 2019 foreign currency contract B states that the Group will purchase £40,000,000 on 31 May 2019 for $54,108,000.

The below table summarises the realised and unrealised positions of each forward foreign currency contract in effect during the reporting periods.

| Forward Foreign Currency Contracts | 2019 Foreign Currency Contract A | 2019 Foreign Currency Contract B | 2018 Foreign Currency Contract | 2017 Foreign Currency Contract | Total |
|---|---|---|---|---|---|
| **Contract appreciation (depreciation), 31 December 2016** | $ - | $ - | $ - | $ (3,308,112) | $ (3,308,112) |
| Unrealised gain (loss) | $ - | $ - | $ 1,656,011 | $ 3,308,112 | $ 4,964,123 |
| Realised gain (loss) | - | - | - | (1,220,000) | (1,220,000) |
| Cash paid (received) at settlement | - | - | - | 1,220,000 | 1,220,000 |
| **Contract appreciation (depreciation), 31 December 2017** | $ - | $ - | $ 1,656,011 | $ - | $ 1,656,011 |
| Unrealised gain (loss) | $ (2,306,460) | $ (2,911,233) | $ (1,656,011) | $ - | $ (6,873,704) |
| Realised gain (loss) | - | - | 1,072,449 | - | 1,072,449 |
| Cash paid (received) at settlement | - | - | (1,072,449) | - | (1,072,449) |
| **Contract appreciation (depreciation), 31 December 2018** | $ (2,306,460) | $ (2,911,233) | $ - | $ - | $ (5,217,693) |

**Note 7 – Income Taxes**

The Group 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 ("U.S."). The Group has recorded the following amounts related to such taxes:

| | | 31 December 2018 | | 31 December 2017 |
|---|---|---|---|---|
| Current tax expense | $ | 501,826 | $ | 304,408 |
| Deferred tax expense (benefit) | | (739,995) | | 509,577 |
| **Total tax expense (benefit)** | **$** | **(238,169)** | **$** | **813,985** |

| | | 31 December 2018 | | 31 December 2017 |
|---|---|---|---|---|
| Gross deferred tax assets | $ | 4,559,387 | $ | 6,032,530 |
| Valuation allowance | | (2,358,837) | | (2,270,349) |
| Net deferred tax assets | | 2,200,550 | | 3,762,181 |
| Gross deferred tax liabilities | | (2,996,238) | | (5,297,864) |
| **Net deferred tax assets (liabilities)** | **$** | **(795,688)** | **$** | **(1,535,683)** |

Current tax expense (benefit) is reflected in Net realised gains and deferred tax expense (benefit) is reflected in Net changes in unrealised gains on the Consolidated Statements of Operations and Changes in Net Assets. Net deferred tax liabilities are related to net unrealised gains and gross deferred tax assets, offset by a valuation allowance, are related to unrealised losses on investments held in entities that file separate tax returns.

The Group has no gross unrecognised tax benefits. The Group is subject to examination by tax regulators under the three-year statute of limitations.

## Note 8 – Earnings (Loss) per Share

The computations for earnings (loss) per share for the years ended 31 December 2018 and 2017 are as follows:

| | For the Years Ended 31 December | | | |
|---|---|---|---|---|
| | | 2018 | | 2017 |
| Net increase (decrease) in net assets resulting from operations attributable to the controlling interest | $ | 46,599,167 | $ | 99,245,655 |
| Divided by weighted average shares outstanding for Class A Shares and Class B Shares of the controlling interest | | 48,800,564 | | 48,800,564 |
| **Earnings (loss) per share for Class A Shares and Class B Shares of the controlling interest** | **$** | **0.95** | **$** | **2.03** |

In accordance with Article 104(2) of the Commission Delegated Regulation (EU) No 231/2013 the Group is required to disclose additional information on the classification of the balances presented within the net realised gain (loss) on investments and forward foreign exchange contracts, and net change in unrealised gain (loss) on investments and forward foreign exchange contracts presented on the Consolidated Statements of Operations and Changes in Net Assets. For the years ended 31 December 2018 and 31 December 2017, the balances include the following:

| Classification of Realised Gain (Loss) and Unrealized Gain (Loss) [1] | | 31 December 2018 | | 31 December 2017 |
|---|---|---|---|---|
| Realised gain on investments | $ | 92,755,405 | $ | 116,068,742 |
| Realised loss on investments | | (27,898,813) | | (26,408,505) |
| Net realised gain (loss) on investments | $ | 64,856,592 | $ | 89,660,237 |
| Unrealised gain on investments | $ | 175,110,098 | $ | 173,564,093 |
| Unrealised loss on investments | | (183,678,763) | | (149,127,074) |
| Net Unrealised gain (loss) on investments | $ | (8,568,665) | $ | 24,437,019 |

*(1) Above amounts are presented gross and, as such, exclude the tax expense (benefit) reported on the Consolidated Statements of Operations and Changes in Net Assets.*

## Note 9 – Share Capital, Including Treasury Stock

Following the Class A Shareholder meeting on 24 April 2017 and admission to the Main Market, Class A Shareholders have the right to vote on all resolutions proposed at general meetings of the Company, including resolutions relating to the appointment, election, re-election and removal of directors. The Company's Class B Shares, which were issued at the time of the initial public offering to a Guernsey charitable trust, whose trustee is Estera Corporate Services (Guernsey) Limited ("Trustee"), usually carry no voting rights at general meetings of the Company. However, in the event the level of ownership of Class A Shares by U.S. residents (excluding any Class A Shares held in treasury) exceeds 35% on any date determined by the directors (based on an analysis of share ownership information available to the Company), the Class B Shares will carry voting rights in relation to "Director Resolutions" (as such term is defined in the Company's articles of incorporation). In this event, Class B Shares will automatically carry such voting rights to dilute the voting power of the Class A Shareholders with respect to Director Resolutions to the extent necessary to reduce the percentage of votes exercisable by U.S. residents in relation to the Director Resolutions to not more than 35%. Each Class A Share and Class B Share participates equally in profits and losses. There have been no changes to the legal form or nature of the Class A Shares nor to the reporting currency of the Company's consolidated financial statements (which will remain in U.S. dollars) as a result of the Main Market quote being in Sterling as well as U.S. dollars.

The following table summarises the Company's shares at 31 December 2018 and 2017.

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Class A Shares outstanding | 48,790,564 | 48,790,564 |
| Class B Shares outstanding | 10,000 | 10,000 |
| | 48,800,564 | 48,800,564 |
| 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 |

The Company currently has shareholder authority to repurchase shares in the market, the aggregate value of which may be up to 14.99% of the Class A Shares in issue (excluding Class A Shares held in treasury) at the time the authority is granted; such authority will expire on the date which is 15 months from the date of passing of this resolution or, if earlier, at the end of the Annual General Meeting ("AGM") of the Company to be held in 2019. 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 Main Market.).

**Note 10 – Management of the Group and Other Related Party Transactions**

**Management and Administration**

The Group is managed by the Investment Manager for a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the NAV of the private equity and opportunistic investments. For purposes of this computation, the NAV is reduced by the NAV of any investment for which the Investment Manager is separately compensated for investment management services. The Investment Manager is not entitled to a management fee on: (i) the value of any fund investments held by the Company in NB Funds in respect of which the Investment Manager or an affiliate receives a fee or other remuneration; or (ii) the value of any holdings in cash and short-term investments (the definition of which shall be determined in good faith by the Investment Manager, and shall include holdings in money market funds (whether managed by the Investment Manager, an affiliate of the Investment Manager or a third party manager)). For the years ended 31 December 2018 and 2017, the management fee expenses were $14,297,557 and $11,904,626, respectively, and are included in Investment management and services on the Consolidated Statement of Operations and Changes in Net Assets.

The Group pays to Estera International Fund Managers (Guernsey) Limited ("Estera"), an affiliate of the Trustee, a fee for providing certain administrative functions relating to certain corporate services and Guernsey regulatory matters affecting the Group. Fees for these services are paid as invoiced by Estera. The Group paid Estera $383,878 and $177,152 for the years ended 31 December 2018 and 2017 respectively, for such services which are included in Administration and professional fees on the Consolidated Statements of Operations and Changes in Net Assets.

As disclosed in the notice of AGM of the board of directors, held on 5 November 2018, the board of directors passed a resolution which stated that effective 1 October 2018, the directors' fees were to be denominated and paid in Sterling and would be based on each director's

position on the board as follows: Chairman is to receive £70,000 annually (£17,500 quarterly), Audit Chairman is to receive £60,000 annually (£15,000 quarterly), and Non-executive directors are each to receive £50,000 annually (£12,500 quarterly).
For the period from 1 January 2018 through 30 September 2018, the Group paid the independent directors a total of $146,250 under the previous terms of payment and denominated in U.S. dollars. For the period from 1 October 2018 through 31 December 2018, the Group paid the independent directors a total of £45,000 under the new terms of payment and denominated in Sterling (equivalent of $58,260). For the years ended 31 December 2018 and 2017, the Group paid the independent directors a total of $204,510 and $195,000, respectively. In addition, the independent directors at the time also received a one-time fee of $7,500 each for the additional work in issuing the 2024 ZDP Shares during the year ended 31 December 2018. In the year ended 31 December 2017, and as disclosed in the notice of Extraordinary General Meeting ("EGM"), the independent directors also received a one-time fee of $7,500 each for the additional work in moving from the Specialist Fund Segment to the Main Market.

Expenses related to the Investment Manager are included in Investment management and services on the Consolidated Statements of Operations and Changes in Net Assets. Administration and professional fees include fees for directors, independent third party accounting and administrative services, audit, tax, and assurance services, 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 2018 and 2017, the noncontrolling interest of $1,049,874 and $1,003,228 represented the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation, respectively.

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 2018 and 2017.

| | Controlling Interest | Noncontrolling Interest | Total |
|---|---|---|---|
| **Net assets balance, 31 December 2016** | **$ 776,640,969** | **$ 895,949** | **$ 777,536,918** |
| Net increase (decrease) in net assets resulting from operations | 99,245,655 | 107,279 | 99,352,934 |
| Dividend payment | (24,400,282) | - | (24,400,282) |
| **Net assets balance, 31 December 2017** | **$ 851,486,342** | **$ 1,003,228** | **$ 852,489,570** |
| Net increase (decrease) in net assets resulting from operations | 46,599,167 | 46,646 | 46,645,813 |
| Dividend payment | (25,864,299) | - | (25,864,299) |
| **Net assets balance, 31 December 2018** | **$ 872,221,210** | **$ 1,049,874** | **$ 873,271,084** |

**Carried Interest**

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5% of the Group's consolidated net increase in net assets resulting from operations, adjusted by withdrawals, distributions and capital contributions, for a fiscal year in the event that the Group's internal rate of return for such period, based on the NAV, exceeds 7.5%. For the purposes of this computation, the value of any private equity fund investment in NB Funds in respect of which the Investment Manager or an affiliate receives a fee or other remuneration shall be excluded from the calculation of the incentive allocation payable to the Special Limited Partner. 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. Such loss amounts are reduced proportionately to give effect to the distributions to the general partner of the partnership subsidiary during the performance period. Carried interest is also accrued and paid on any economic gain that the Group realises 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 2018 and 2017, carried interest of $0 and $7,925,575 was accrued at the end of the year and paid in the subsequent year, respectively.

**Private Equity Investments with the Investment Manager's Platform**

The Group holds limited partner interests in private equity fund investments and direct investment programs that are managed by subsidiaries of NBG ("NB-Affiliated Investments"). NB-Affiliated Investments will not result in any duplicative NBG investment management fees and carry charged to the Group. Below is a summary of the Group's positions in NB-Affiliated Investments.

| NB-Affiliated Investments (dollars in millions) | Fair Value | Committed | Funded | Unfunded |
|---|---|---|---|---|
| 2018 | | | | |
| NB-Affiliated Programs | | | | |
| NB Alternatives Direct Co-investment Programs | $ 190.5 | $ 275.0 | $ 199.5 | $ 75.5 |
| NB Renaissance Program | 19.9 | 40.0 | 18.7 | 21.3 |
| Marquee Brands | 19.9 | 30.0 | 16.2 | 13.8 |
| NB Healthcare Credit Investment Program | 6.7 | 50.0 | 45.8 | 4.2 |
| NB Credit Opportunities Program | 11.1 | 50.0 | 12.7 | 37.3 |
| NB Specialty Finance Program | 1.3 | 50.0 | 1.5 | 48.5 |
| Total investments in NB-Affiliated Programs | $ 249.4 | $ 495.0 | $ 294.4 | $ 200.6 |
| NB-Affiliated Funds | | | | |
| NB Fund of Funds Secondary 2009 | $ 0.9 | $ 10.4 | $ 10.1 | $ 0.3 |
| NB Crossroads Fund XVIII | 16.0 | 75.0 | 63.1 | 11.9 |
| Total investments in NB-Affiliated Funds | $ 16.9 | $ 85.4 | $ 73.2 | $ 12.2 |
| **Total NB-Affiliated Investments** | **$ 266.3** | **$ 580.4** | **$ 367.6** | **$ 212.8** |
| 2017 | | | | |
| NB-Affiliated Programs | | | | |
| NB Alternatives Direct Co-investment Programs | $ 171.7 | $ 275.0 | $ 156.7 | $ 118.3 |
| NB Renaissance Program | - | 42.0 | - | 42.0 |
| Marquee Brands | 16.0 | 30.0 | 13.1 | 16.9 |
| NB Healthcare Credit Investment Program | 12.5 | 50.0 | 45.6 | 4.4 |
| NB Credit Opportunities Program | 4.5 | 50.0 | 4.3 | 45.7 |
| Total investments in NB-Affiliated Programs | $ 204.7 | $ 447.0 | $ 219.7 | $ 227.3 |
| NB-Affiliated Funds | | | | |
| NB Fund of Funds Secondary 2009 | $ 2.9 | $ 10.4 | $ 9.8 | $ 0.6 |
| NB Crossroads Fund XVIII | 21.9 | 75.0 | 63.1 | 11.9 |
| Total investments in NB-Affiliated Funds | $ 24.8 | $ 85.4 | $ 72.9 | $ 12.5 |
| **Total NB-Affiliated Investments** | **$ 229.5** | **$ 532.4** | **$ 292.6** | **$ 239.8** |

**Note 11 – Risks and Contingencies**

**Market Risk**

The Group’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 private equity investments). The Group's private equity 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 fund investments of the Group each holds 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 Group in publicly traded and privately held securities. The fund investments of the Group 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 Group'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 a counterparty to perform according to the terms of a contract. The Group 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 Group 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 Group to a higher than normal amount of credit risk.

The cash and other liquid securities held can subject the Group 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 Group's cash and cash equivalents in U.S. Treasuries or other highly liquid securities.

**Liquidity Risk**

Liquidity risk is the risk that the Group 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 (see note 4) to meet expected liquidity requirements for investment funding and operating expenses.

**Contingencies**

In the normal course of business, the Group enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Group’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Group that have not yet occurred. The Investment Manager expects the risk of loss to be remote and does not expect these to have a material adverse effect on the consolidated financial statements of the Group.

**Note 12 – Financial Highlights**

The following ratios with respect to the Class A Shares and Class B Shares have been computed for the years ended 31 December 2018 and 2017:

| **Per share operating performance (based on average shares outstanding during the year)** | | **For the Year Ended 31 December 2018** | | **For the Year Ended 31 December 2017** |
|---|---|---|---|---|
| Beginning net asset value | $ | 17.45 | $ | 15.91 |
| Net increase in net assets resulting from operations: | | | | |
| Net investment income (loss) | | (0.20) | | (0.28) |
| Net realised and unrealised gain (loss) | | 1.15 | | 2.32 |
| Dividend payment | | (0.53) | | (0.50) |
| **Ending net asset value** | **$** | **17.87** | **$** | **17.45** |
| | | | | |
| **Total return (based on change in net asset value per share)** | | **2018** | | **2017** |
| Total return before carried interest | | 5.44% | | 12.82% |
| Carried interest | | - | | (1.00%) |
| **Total return after carried interest** | | **5.44%** | | **11.82%** |
| | | | | |
| **Net investment income (loss) and expense ratios (based on weighted average net assets)** | | **2018** | | **2017** |
| Net investment income (loss) | | (1.15%) | | (1.75%) |
| Expense ratios: | | | | |
| Expenses before interest and carried interest | | 2.45% | | 2.39% |
| Interest expense | | 0.72% | | 0.44% |
| Carried interest | | 0.00% | | 1.00% |
| **Expense ratios total** | | **3.17%** | | **3.83%** |

Net investment income (loss) is interest income earned net of expenses, including management fees and other expenses consistent with the presentation within the Consolidated Statements of Operations and Changes in Net Assets. Expenses do not include the expenses of the underlying private equity investment partnerships.

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

**Note 13 – Subsequent Events**

As of the date of this report, the Group has completed additional borrowings totaling $20.0 million and has made principal payments totaling $15.0 million on the Credit Facility. As of the date of this report, the outstanding Credit Facility loan balance is $45.0 million.

On 8 January 2019, the board of directors of the Group declared a dividend payment to be paid at an amount of $0.28 per each Ordinary Share payable on 28 February 2019 with a dividend record date of 1 February 2019.

Starting on 10 January 2019, the Company began a series of Class A Share buy-backs pursuant to general authority granted by shareholders of the Company on and the share buy-back agreement with Jefferies International Limited. As of the date of this report, the Company has purchased and cancelled a total of 147,296 shares of its Class A stock (0.3% of the issued and outstanding Class A Shares as of 1 January 2019), for a total purchase price of $2,060,625. The Company intends to continue engaging in Class A Share buy-backs throughout 2019.

The Investment Manager and the board of directors have evaluated events through 12 April 2019, the date the consolidated financial statements were available to be issued, and has determined that there were no other subsequent events that required adjustment to, or disclosure in, the consolidated financial statements.