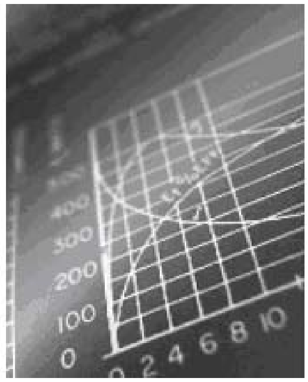
Lehman Brothers Private Equity Partners Limited



ANNUAL FINANCIAL REPORT

AS OF 31 DECEMBER 2007, AND FOR THE PERIOD FROM 25 JULY 2007
(COMMENCEMENT OF OPERATIONS) THROUGH 31 DECEMBER 2007

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COMPANY OVERVIEW

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

Our Company	**Lehman Brothers Private Equity Partners Limited** ▪ **Guernsey closed-end investment company** ▪ **54,210,000 Class A ordinary Shares outstanding** ▪ **10,000 Class B ordinary Shares outstanding**
Investment Manager	Lehman Brothers Private Fund Advisers, LP ▪ Over 20 years of private equity investing experience ▪ Ten-member Investment Committee with an aggregate of more than 170 years of experience with private equity investing ▪ Over 50 investment professionals ▪ Over 120 administrative and finance professionals ▪ Offices in New York, Dallas, London and Hong Kong

($ in millions, except per share data)	**At 31 December 2007**	**At Inception (25 July 2007)** [1]
Net Asset Value	$562.5	$542.2
Net Asset Value per Share	$10.37	$10.00
Fund Investments	$326.4	$193.8
Direct Co-investments	$94.2	$63.2
Total Private Equity Investments	$420.6	$257.1
Private Equity Investment Level	75%	47%
Cash and Cash Equivalents	$145.3	$285.0

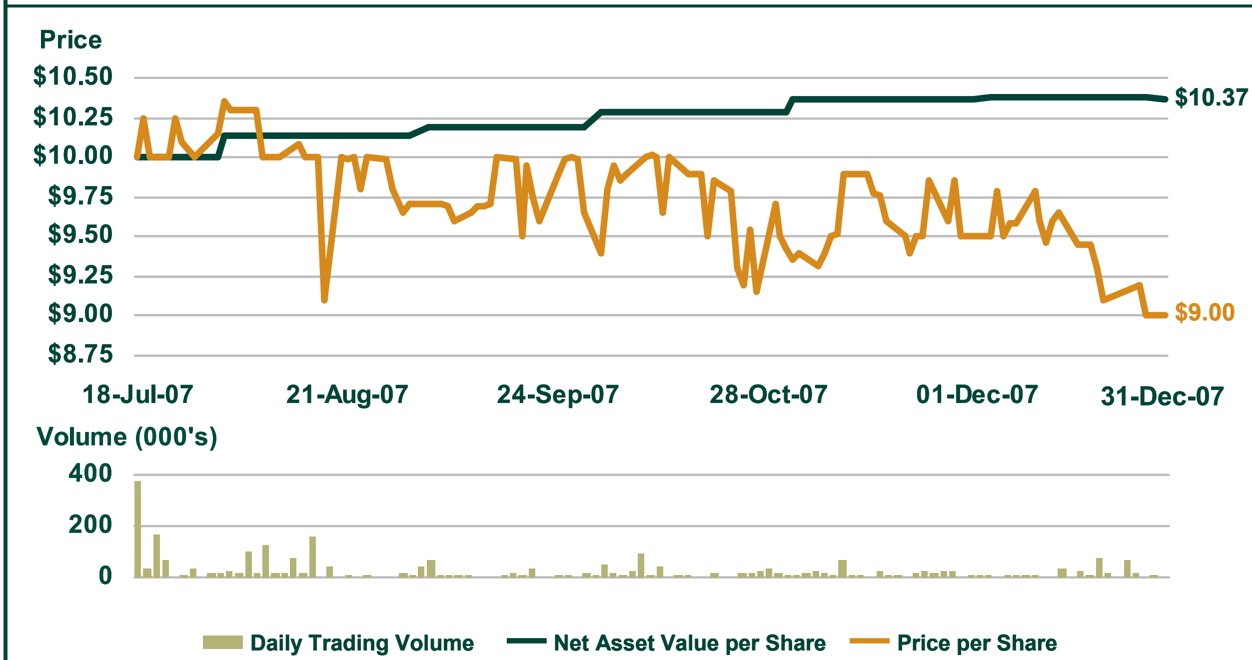
1. *At inception figures are pro forma including the exercise of the over-allotment option in respect of 4.21 million Class A ordinary Shares (the "Shares") at $10.00 per Share. Investment amounts at inception represent the pro forma purchase price of the portfolio of private equity assets acquired from Lehman Brothers subsequent to the completion of our initial public offering.*

INVESTMENT RESULTS

Since the commencement of operations in July 2007, net asset value increased from $542.2 million to $562.5 million, or $10.37 per Share, at 31 December 2007. This represents an increase of $0.37 per Share, or 3.7%, compared to the initial offering price of $10.00 per Share on 25 July 2007. During the third quarter, our portfolio benefited from investment gains from our seasoned portfolio of buyout funds as well as Lehman Crossroads Fund XVII and the CVI Global Value Fund. During the fourth quarter, there were a number of monetization events in the portfolio, including two notable buyout realizations from Carlyle Europe Partners II and Clessidra Capital Partners that led to meaningful gains. In addition, four of our direct co-investments appreciated in value during the fourth quarter, while two of our direct co-investments were written down. Our investments in Lehman Crossroads Fund XVII and Lehman Crossroads Fund XVIII also generated meaningful distributions during December.

From inception through the end of the year, we funded approximately $166.1 million of capital calls, including co-investments, and received approximately $23.4 million of distributions from our underlying private equity portfolio. These capital calls and distributions were in addition to the purchase of our Initial Investments (see description on page 3). For the period from 31 December 2007 through 31 January 2008, we also funded an additional $13.1 million of capital calls and received $1.2 million of distributions. Excluding new co-investments, approximately 30% of the capital calls from inception through the end of December were attributed to our special situations investments, predominantly distressed funds. Distributions received since inception included an aggregate $12.8 million from buyout funds and co-investments and an aggregate $3.5 million from Lehman Crossroads Fund XVII and Lehman Crossroads Fund XVIII.

SHARE PRICE PERFORMANCE AND NET ASSET VALUE PER SHARE



INVESTMENT PORTFOLIO SUMMARY

At inception, we agreed to purchase a portfolio of 33 private equity fund investments and eight direct co-investments (the "Initial Investments") from Lehman Brothers, Inc. We acquired the entire portfolio of Initial Investments for an aggregate purchase price of $257.1 million. In addition to the Initial Investments, we made a total of ten new investments from inception through year end, including three primary fund commitments, one secondary purchase and six direct co-investments.

The three new primary fund investments and the secondary purchase aggregated $70.0 million in total commitments. All three of the new primary funds are led by special situations managers who focus on distressed investing: Prospect Harbor Credit Partners (managed by Sankaty Advisors, an affiliate of Bain Capital); OCM Opportunities Fund VIIb; and Wayzata Opportunities Fund II.

The secondary purchase that we added to our portfolio consisted of an investment in American Capital Equity II, a buyout fund that was substantially funded at the time of closing.

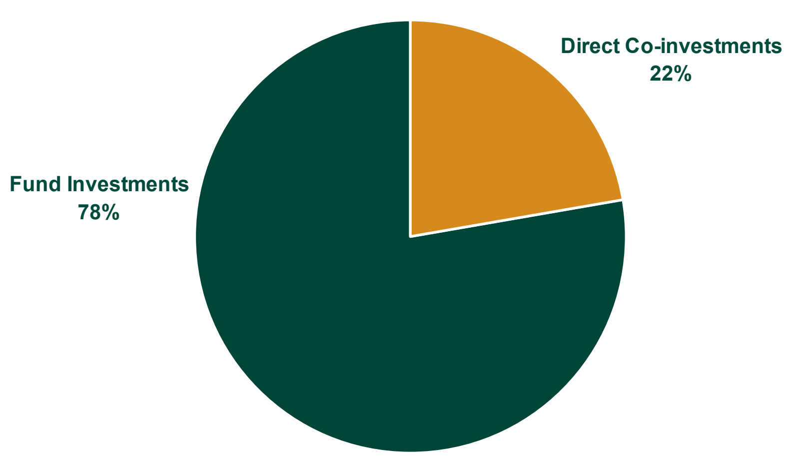
From inception to 31 December 2007, we invested an aggregate $30.6 million in six direct co-investments alongside leading sponsors. These co-investments included: Avaya, Inc.; Energy Future Holdings Corp. (formerly known as TXU Corp.); First Data Corporation; Firth Rixson, plc; Kyobo Life Insurance Co., Ltd.; and Linn Energy, LLC.

At 31 December 2007, our private equity investment portfolio consisted of 51 fund investments and direct co-investments, and the net asset value and total exposure of our private equity investments increased to $420.6 million and $725.6 million, respectively.

PRIVATE EQUITY INVESTMENT PORTFOLIO – 31 DECEMBER 2007

($ in millions)	Number of Investments	Net Asset Value	Unfunded Commitments	Total Exposure
Fund Investments	37	$326.4	$300.3	$626.7
Direct Co-investments	14	94.2	4.6	98.8
Total Private Equity Investments	**51**	**$420.6**	**$305.0**	**$725.6**

PORTFOLIO ALLOCATION BASED ON NET ASSET VALUE



INVESTMENT STRATEGY AND CAPITAL DEPLOYMENT

When managing our private equity investment portfolio, we seek to generate attractive returns on our capital by increasing our net asset value over the long term. We seek to implement our strategy by making investments into high quality private equity funds and direct co-investments, while also maintaining a well-diversified portfolio. In doing so, we will continue to embrace strategic points of view on certain asset classes and sectors within private equity.

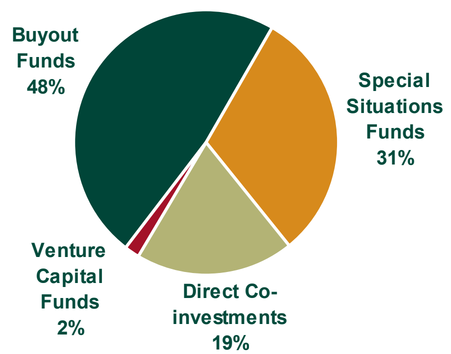
Consistent with the investment strategy we described prior to our IPO, we have over-weighted our allocation to special situations, including distressed managers. At year end, special situations investments comprised 20% of our portfolio on a total private equity exposure basis. We believe this focus has been validated by the well-publicized disruptions that have occurred in the credit markets since the middle of 2007. Since our IPO in late July, which coincided with the beginning of the "credit crunch", 31% of our capital has been invested in special situations funds, and 60% of our new commitments, including all three of our new primary fund commitments, have been directed toward special situations investments (see graphs below). Given the recent volatility in the credit markets and the potential strain that may be caused by a slowing economy, we believe our special situations managers are well-positioned to capitalize on attractive investment opportunities in the current market and going forward.

In the near- to medium-term, we will continue to target special situations funds as well as top-tier buyout funds that have a proven track record of investing across multiple market cycles. We will continue to make strategic co-investments that offer an attractive risk/return profile and are otherwise within our target asset allocations. We may seek to capitalize on attractive secondary investments that offer the potential for enhanced returns and additional vintage year diversification within our private equity portfolio. In addition, we may consider other private equity investments that offer an attractive current yield component. Over time, we expect to increase our exposure to Europe and Asia, while continuing to have a majority of the portfolio in North America.

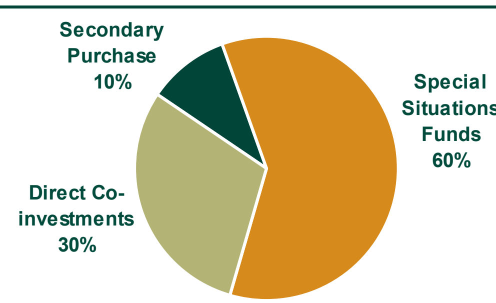
At 31 December 2007, our private equity investment level reached 75% of total net asset value, and our total private equity exposure increased to 129% of total net asset value. This compares to 47% and 113%, respectively, at the completion of our IPO. Based on our projections for future capital deployment, we expect to be fully invested in private equity by Q3 2008.

CAPITAL DEPLOYMENT FROM INCEPTION THROUGH 31 DECEMBER 2007

Funded Capital Calls and Co-investments



New Commitments [1]



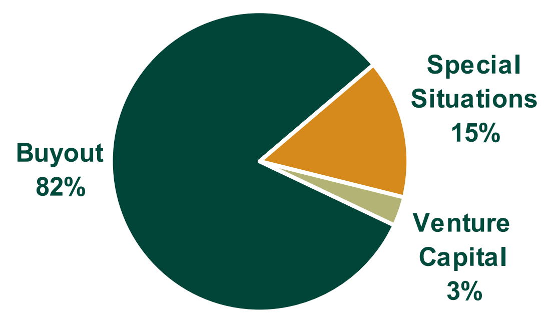
1. *Includes only fund investments and direct co-investments which were not included in the portfolio of Initial Investments.*

PORTFOLIO DIVERSIFICATION

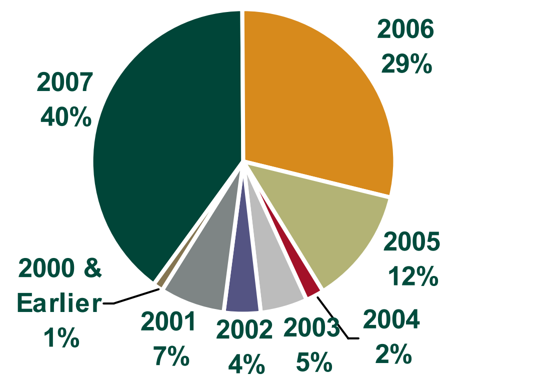
Consistent with our investment objective, we strive to manage investment risk through appropriate diversification within our private equity portfolio. The graphs below illustrate the breakdown of our private equity investment portfolio based on private equity net asset value as of 31 December 2007.

DIVERSIFICATION BASED ON PRIVATE EQUITY NET ASSET VALUE [1]

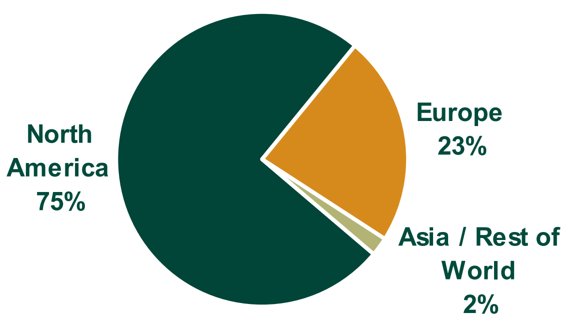
Private Equity Asset Class



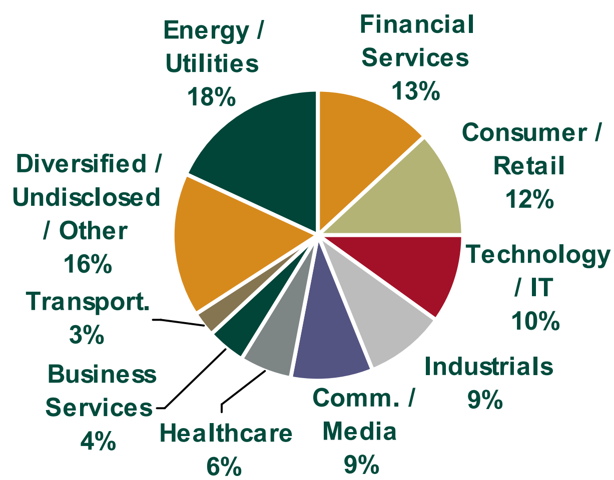
Vintage Year of Fund or Co-investment [2]



Geography



Industry



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

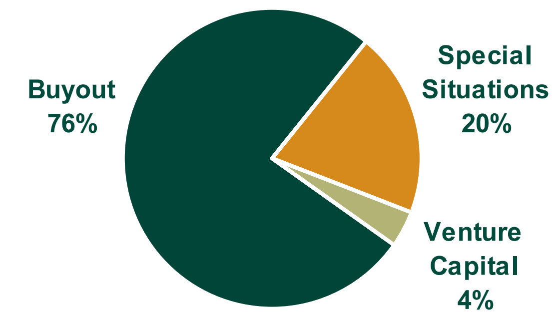
2. *Vintage year is the date of the first portfolio investment made by a private equity fund or the date of the co-investment.*

PORTFOLIO DIVERSIFICATION

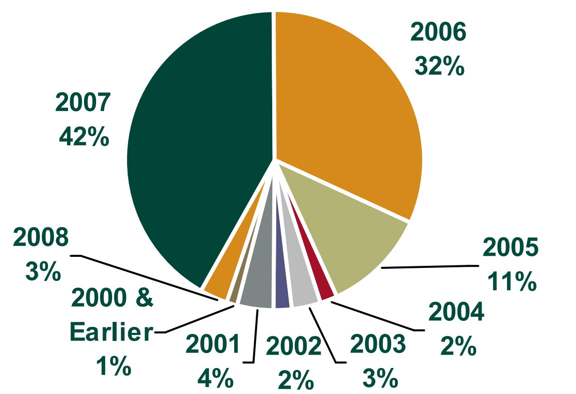
The graphs below depict the diversification of our private equity investment portfolio as of 31 December 2007 based on total private equity exposure, defined as the value of private equity investments plus related unfunded commitments.

DIVERSIFICATION BASED ON PRIVATE EQUITY TOTAL EXPOSURE [1]

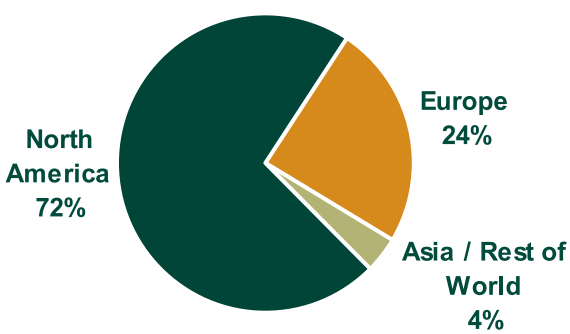
Private Equity Asset Class



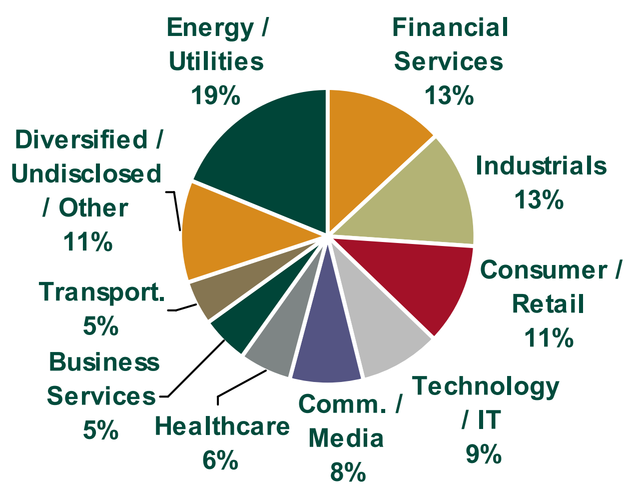
Vintage Year of Fund or Co-investment [2]



Geography



Industry



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

PORTFOLIO AND INVESTMENT ACTIVITY

Portfolio and investment activity from inception through 31 December 2007 was as follows:

($ in millions)

	Fund Investments	Direct Co-investments
Capital Calls / Co-investments Funded	$135.5	$30.6
Distributions Received	$19.9	$3.5
Realized Gains	$2.8	-
Unrealized Appreciation	$15.0	$3.8
New Commitments / Investments	4	6
Amount Committed / Invested	$70.0	$30.6

PRIVATE EQUITY INVESTMENT PORTFOLIO

The following is a list of our private equity investments as of 31 December 2007.

($ in millions)	Asset Class	Geography	Vintage Year	Net Asset Value	Unfunded Commitments	Total Exposure
Fund Investments						
AIG Highstar Capital II	Buyout	U.S.	2004	$4.2	$0.3	$4.5
American Capital Equity II	Buyout	U.S.	2005	8.4	2.1	10.5
Apollo Investment Fund V	Buyout	U.S.	2001	14.5	2.7	17.1
Aquiline Financial Services Fund	Buyout	U.S.	2005	1.1	3.5	4.7
ArcLight Energy Partners Fund IV	Buyout	U.S.	2007	5.4	14.4	19.8
Avista Capital Partners	Buyout	U.S.	2006	7.8	7.2	14.9
Bertram Growth Capital I	Buyout	U.S.	2007	3.6	11.8	15.4
Carlyle Europe Partners II	Buyout	Europe	2003	7.2	2.0	9.2
Clayton, Dubilier & Rice Fund VII	Buyout	U.S.	2005	20.1	7.1	27.2
Clessidra Capital Partners	Buyout	Europe	2004	1.7	3.7	5.5
Corsair III Financial Services Capital Partners	Buyout	Global	2007	3.9	5.7	9.6
CVI Global Value Fund	Special Situations	Global	2006	13.7	2.3	16.0
Doughty Hanson & Co IV	Buyout	Europe	2003	8.5	0.6	9.0
First Reserve Fund XI	Buyout	U.S.	2006	4.5	20.2	24.7
Investitori Associati III	Buyout	Europe	2000	2.1	1.0	3.1
J.C. Flowers II	Buyout	Global	2006	3.4	6.5	9.9
KKR 2006 Fund	Buyout	Global	2006	19.4	10.7	30.1
KKR Millennium Fund	Buyout	Global	2002	15.8	0.3	16.1
Lehman Crossroads Fund XVII	Diversified	U.S.	2002 - 2006	30.9	16.9	47.8
Lehman Crossroads Fund XVIII Large-cap Buyout	Buyout	Global	2005 - 2008	7.4	7.0	14.3
Lehman Crossroads Fund XVIII Mid-cap Buyout	Buyout	Global	2005 - 2008	15.3	23.7	39.0
Lehman Crossroads Fund XVIII Special Situations	Special Situations	Global	2005 - 2008	5.9	4.6	10.5
Lehman Crossroads Fund XVIII Venture Capital	Venture Capital	U.S.	2006 - 2008	3.1	7.2	10.3
Lightyear Fund II	Buyout	U.S.	2006	4.4	5.4	9.7
Madison Dearborn Capital Partners V	Buyout	U.S.	2006	8.2	2.0	10.1
OCM Opportunities Fund VIIb	Special Situations	U.S.	2008	-	20.0	20.0
OCM Principal Opportunities Fund IV	Buyout	U.S.	2007	8.8	11.6	20.4
Platinum Equity Capital Partners II	Special Situations	U.S.	2007	3.3	16.7	20.0
Prospect Harbor Credit Partners	Special Situations	U.S.	2007	19.4	-	19.4
Sankaty Credit Opportunities III	Special Situations	U.S.	2007	21.0	9.0	30.0
Sun Capital Partners V	Special Situations	U.S.	2007	0.5	9.4	9.9
Terra Firma Capital Partners III	Buyout	Europe	2007	15.9	20.2	36.1
Thomas H. Lee Equity Fund VI	Buyout	U.S.	2006	8.5	16.0	24.6
Trident IV	Buyout	U.S.	2007	0.8	4.1	4.9
Warburg Pincus Private Equity VIII [(1)]	Buyout	Global	2001	12.3	-	12.3
Wayzata Opportunities Fund II	Special Situations	U.S.	2007	2.2	17.8	20.0
Welsh, Carson, Anderson & Stowe X	Buyout	U.S.	2005	13.5	6.6	20.1
Total Fund Investments				**$326.4**	**$300.3**	**$626.7**
Direct Co-investments [(2)]						
Dresser Holdings, Inc.	Buyout	U.S.	2007			
Avaya, Inc.	Buyout	U.S.	2007			
Energy Future Holdings Corp.	Buyout	U.S.	2007			
Firth Rixson, plc	Buyout	Europe	2007			
Kyobo Life Insurance Co., Ltd.	Buyout	Asia	2007			
Edgen Murray Corporation	Buyout	U.S.	2007			
First Data Corporation	Buyout	U.S.	2007			
Freescale Semiconductor, Inc.	Buyout	U.S.	2006			
Group Ark Insurance Holdings Limited	Buyout	Global	2007			
Linn Energy, LLC	Buyout	U.S.	2007			
MaRI Holdings Limited	Buyout	Global	2007			
Mont Fort Re Ltd. (Second Cell)	Buyout	Global	2007			
Sabre Holdings Corporation	Buyout	U.S.	2007			
TPF Genco Holdings, LLC	Buyout	U.S.	2006			
Total Direct Co-investments				**$94.2**	**$4.6**	**$98.8**
Total Private Equity Investment Portfolio				**$420.6**	**$305.0**	**$725.6**

1. *Net asset value and total exposure includes $0.4 million of distributed marketable securities.*
2. *Co-investment values are given on an aggregate-only basis. No co-investment composes more than 3% of total net asset value.*

LARGEST UNDERLYING INVESTMENTS

At 31 December 2007, our private equity investment portfolio included exposure to over 1,900 companies, with our allocable portion of approximately 775 companies valued at greater than $20,000. Our ten largest portfolio company investments totaled approximately $95 million in fair value, or approximately 23% of our private equity investments and approximately 17% of our total net asset value. Our twenty largest portfolio company investments totaled approximately $142 million in fair value, or approximately 34% of our private equity investments and approximately 25% of our total net asset value. No individual company investment accounted for more than 3% of total net asset value at year end. Listed below are the twenty largest portfolio company investments in alphabetical order.

Company Name	Company Status
Avaya, Inc.	Privately Held
Dresser Holdings, Inc.	Privately Held
Edgen Murray Corporation	Privately Held
EMI	Privately Held
Energy Future Holdings (f/k/a TXU Corp.)	Privately Held
First Data Corporation	Privately Held
Firth Rixson, plc	Privately Held
Freescale Semiconductor, Inc.	Privately Held
Goodman Global, Inc.	Publicly-Traded
Group Ark Insurance Holdings Limited	Privately Held
HD Supply	Privately Held
Hertz Global Holdings, Inc.	Publicly-Traded
Linn Energy, LLC	Publicly-Traded
MaRI Holdings Limited	Privately Held
Mont Fort Re Ltd. (Second Cell)	Privately Held
Sabre Holdings Corporation	Privately Held
Sally Beauty Holdings, Inc.	Publicly-Traded
ServiceMaster Company	Privately Held
TPF Genco Holdings, LLC	Privately Held
U.S. Foodservice, Inc.	Privately Held

At 31 December 2007, approximately $49 million of our private equity investment portfolio was comprised of companies with publicly-traded securities. This amount represented approximately 12% of our private equity investments and approximately 9% of our total net asset value.

MARKET COMMENTARY

During the first half of 2007, favorable economic conditions and an issuer friendly credit environment supported a robust buyout market. An increased demand for alternative assets by large institutional investors led to record fundraising, and together with significant debt availability, served as a catalyst for a significant number of large private equity transactions. In the U.S. alone, leveraged buyout volume reached a record high of over $150 billion during the second quarter of 2007.[1] However, the collapse of the subprime mortgage market and growing concerns in the housing sector eventually led to major disruptions in the credit markets and a sudden re-pricing of risk that caused volatility and uncertainty throughout the second half of the year. As a result, the supply and demand imbalance in the credit markets caused the delay of a large number of buyouts. Although a number of buyout related financing packages were adequately restructured and sold in the secondary market, the backlog of leveraged loans and high yield debt was approximately $236 billion at 31 December 2007.[2] The subprime mortgage situation and the "credit crunch" led to massive write-downs at many of the large global banks, which added more volatility to the equity markets. At the same time, the broader economy began to slow in the latter half of 2007 and into January 2008, punctuated by slower GDP growth in the U.S., lower corporate earnings, rising unemployment and decreasing consumer confidence. These events and the rising risk of a recession caused the U.S. Federal Reserve to lower the federal funds rate from 5.25% in mid-2007 to 3.00% at the end of January 2008.

Despite the effects of a tighter lending environment and rising uncertainty in the market, we expect that private equity investment activity will continue to occur at healthy levels during 2008. With robust fundraising over the past few years, most private equity firms have a large supply of available capital to deploy. We believe that as the market stabilizes and multiples return to lower levels, traditional buyout managers will most likely target smaller transactions and value-based investments. Buyout firms (particularly large-cap) may also seek out alternative sources of deal flow, such as minority investments, un-leveraged control positions, private investments in public equity ("PIPE" transactions), and add-on acquisitions by existing portfolio companies. With the cost of capital rising and the amount of available leverage declining, strategic investors should become more active players in the M&A market, adding to the already tough competition provided by hedge funds, sovereign wealth funds, special purpose acquisition companies ("SPAC's") and large pension funds. For special situations managers, especially those that concentrate on distressed debt, turnaround and restructuring investments, we believe 2008 should provide a highly attractive environment for new deals. The ongoing dislocations in the credit market and the economic strain caused by a slowing economy have already led to large amounts of activity in the distressed sector. With credit agencies projecting a significant increase in corporate default rates and also taking a tougher stance on issuer ratings, we believe there will be additional opportunities for distressed managers in the near- to medium-term. As a result, we believe our over-weighted allocation to special situations leaves us well-positioned to capitalize on current trends in the market.

1. *Source: Standard & Poor's Leveraged Commentary Data Q4 2007, Leveraged Buyout Review.*
2. *Source: Lehman Brothers Year End Commentary.*

DESCRIPTION OF NEW INVESTMENTS

During the last two months of 2007, we completed two new private equity investments totaling $5.6 million in commitments. Please see our Interim Financial Report for the period ending 30 September 2007 for a description of other new investments that were completed since our IPO.

Firth Rixson, plc

Direct Co-investment

Firth Rixson, plc was formed in 2003 from a merger of UK-based Firth Rixson, U.S.-based Forged Metals, Inc. and Schlosser Forge Company. Firth Rixson supplies highly engineered products to its global aerospace and industrial customers from eleven manufacturing facilities located in the U. S., UK, Hungary and China. The company's products are found on most significant aerospace engine platforms. Firth Rixson's headquarters are located in Sheffield, England and East Hartford, Connecticut.

Kyobo Life Insurance Co., Ltd.

Direct Co-investment

Established in 1958, Kyobo Life Insurance Co., Ltd. is the third largest life insurance company in South Korea. The company offers a broad range of savings and protection products to middle- and upper-income Korean consumers. The company's main product lines are whole life insurance, annuities, educational insurance, health and disability insurance, retirement plans, and variable whole life and annuity insurance. Kyobo Life Insurance has acquired an "AA+" rating from Korea Ratings in "Insurer Financial Strength Rating," a first among domestic Korean life insurance companies.

OVERVIEW OF THE INVESTMENT MANAGER

Lehman Brothers Private Fund Advisers, LP, a unit of Lehman Brothers Private Fund Investments Group, and its affiliates (the "Investment Manager"), has over twenty years of investing experience specializing in private equity funds, co-investments and secondary investments and has built relationships with leading private equity sponsors over that time.

The Investment Manager makes all of our investment decisions, and we have delegated to the Investment Manager the day-to-day management and operations of our business. The Investment Manager's investment decisions are made by its Fund of Funds Investment Committee (the "Investment Committee"), which currently consists of ten members with an aggregate of more than 170 years of experience with private equity investing. The sourcing and evaluation of our investments is conducted by the Investment Manager's team of over 50 investment professionals who specialize in private equity fund investments and co-investments. In addition, the Investment Manager's staff of over 120 administrative and finance professionals are responsible for our administrative, financial management and reporting needs. The Investment Manager currently maintains offices in New York, Dallas, London and Hong Kong.

The Investment Manager also draws on the resources of Lehman Brothers, a leading global investment bank with over 50 offices around the world, in sourcing, evaluating and managing our investments. As of 30 November 2007, Lehman Brothers had $282 billion in client assets under management and 28,556 employees.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

The principal trading market for the shares is the Euronext Amsterdam, which is less liquid than certain other major exchanges in the United States and certain other parts of Europe. Because Euronext Amsterdam is less liquid than major exchanges in the United States and certain other parts of Europe, our shareholders may face difficulty when disposing of their shares, especially in large blocks. In addition, a disproportionately large percentage of the market capitalization and trading volume of Euronext Amsterdam is represented by a small number of listed companies and conglomerates. Fluctuations in the prices of these companies' securities may have a significant effect on the market price for the securities of other listed companies, including the price of the shares.

To date the company's shares have actively traded, but with generally low daily volumes. The company has worked to increase the interest in our shares, including engaging two corporate brokers to assist in developing a more active trading market, but we cannot predict the extent to which investor interest will lead to the development of a more liquid trading market for the shares or, if such a market develops, whether it will be maintained.

Our company cannot predict the effects on the price of the shares if a more liquid trading market for them does not develop. In addition, if such a market does not develop, relatively small sales may have a significant negative impact on the price of the shares. For example, sales of a significant number of shares may be difficult to execute at a stable price.

STATEMENT OF RESPONSIBILITY AND CERTAIN INFORMATION

Statement of Responsibility

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law, of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing these financial statements.

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

Certain Information

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

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

DIRECTORS, ADVISORS AND CONTACT INFORMATION

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

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Talmai Morgan (Chairman)
John Buser
John Hallam
Christopher Sherwell
Peter Von Lehe

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For general questions about Lehman Brothers Private Equity Partners Limited, please contact us at investorrelations@lbpe.com or at +1-214-647-9593.

The Web site address for Lehman Brothers Private Equity Partners Limited is www.lbpe.com.

LEHMAN BROTHERS PRIVATE EQUITY PARTNERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

(Audited)

For the period from 25 July 2007 (Commencement of Operations) to 31 December 2007

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Report of Independent Auditors

To the Directors and Shareholders of Lehman Brothers Private Equity Partners Limited

In our opinion, the accompanying consolidated statement of assets and liabilities, including the consolidated condensed schedule of private equity investments, and the related consolidated statement of operations, of changes in net assets and of cash flows presents fairly, in all material respects, the financial position of Lehman Brothers Private Equity Partners Limited and its subsidiaries as at 31 December 2007, and the results of its operations, and its cash flows for the period from 25 July 2007 (commencement of operations) to 31 December 2007, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

This report, including the opinion, has been prepared for and only for the shareholders as a body in accordance with the Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not in giving this opinion accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
4 February 2008

Lehman Brothers Private Equity Partners Limited
Consolidated Statement of Assets and Liabilities
31 December 2007
(Audited)

Assets		
Private equity investments (cost $401,787,541)	$	420,588,984
Cash and cash equivalents		
Denominated in U.S. dollars		102,779,760
Denominated in Euros (cost $40,344,798)		42,569,017
		145,348,777
Other assets		6,677,952
Total assets	**$**	**572,615,713**
Liabilities		
Payables to Investment Manager and affiliates	$	5,923,675
Accrued expenses and other liabilities		1,401,621
Current taxes payable		387,487
Net deferred tax liability		1,902,103
Total liabilities	**$**	**9,614,886**
Minority interest	$	542,743
Net assets		
Class A shares, $0.01 par value, 500,000,000 shares authorized and 54,210,000 shares issued	$	542,100
Class B shares, $0.01 par value, 100,000 shares authorized and 10,000 shares issued		100
Additional paid-in capital		541,657,800
Retained earnings		20,258,084
Total net assets	**$**	**562,458,084**
Total liabilities, minority interest and net assets	**$**	**572,615,713**
Net asset value per share for Class A and Class B shares	**$**	**10.37**

The accounts were approved by the board of directors on 4 February 2008 and signed on its behalf by:

Talmai Morgan John Hallam

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

Lehman Brothers Private Equity Partners Limited
Consolidated Condensed Schedule of Private Equity Investments
31 December 2007
(Audited)

Private equity investments	Cost	Fair Value	Unfunded Commitment	Private Equity Exposure
Fund investments	$ 311,101,575	$ 326,001,715	$ 300,332,368	$ 626,334,083
Direct co-investments	90,409,480	94,171,705	4,645,372	98,817,077
Marketable securities	276,486	415,564	N/A	415,564
Total private equity investments	**$ 401,787,541**	**$ 420,588,984**	**$ 304,977,740**	**$ 725,566,724**

Private equity investments in excess of 5% of net asset value:	Cost	Fair Value
Lehman Crossroads Fund XVII	$ 29,035,543	$ 30,905,466
Lehman Crossroads Fund XVIII		
Large-cap Buyout	7,204,661	7,389,983
Mid-cap Buyout	15,203,212	15,290,997
Special Situations	5,777,429	5,920,082
Venture Capital	3,184,190	3,052,044
	$ 31,369,492	$ 31,653,106
Total	**$ 60,405,035**	**$ 62,558,572**

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

Lehman Brothers Private Equity Partners Limited

Consolidated Condensed Schedule of Private Equity Investments

31 December 2007

(Audited)

Geographic diversity of private equity investments: [1]		Fair Value
North America	$	283,427,108
Europe		86,680,555
Asia / Rest of World		8,544,905
Not yet classified		41,936,416
Total	**$**	**420,588,984**

Industry diversity of private equity investments: [2]	Fair Value
Energy / Utilities	18.2%
Diversified / Undisclosed / Other	15.9%
Financial Services	13.0%
Consumer / Retail	11.5%
Technology / IT	10.5%
Industrials	8.7%
Communications / Media	8.7%
Healthcare	6.1%
Business Services	4.3%
Transportation	3.1%
Total	**100.0%**

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

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

Lehman Brothers Private Equity Partners Limited
Consolidated Statement of Operations
For the Period from 25 July 2007 (Commencement of Operations) to 31 December 2007
(Audited)

Investment income		
Interest	$	4,877,300
Dividends		214,855
		5,092,155
Expenses		
Carried interest		1,642,547
Investment management and services		2,250,064
Administration and professional		1,598,695
Debt facility		587,305
		6,078,611
Net investment income (loss)		(986,456)
Realized and unrealized gain (loss) on investments and currencies other than U.S. dollars:		
Net realized gain (loss) on investments, including transactions in currencies other than U.S. dollars, net of taxes of $705,110		2,120,981
Net change in unrealized gain (loss) on investments, including transactions in currencies other than U.S. dollars, net of taxes of $1,902,103		19,123,559
Net realized and unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars		21,244,540
Net increase (decrease) in net assets resulting from operations	**$**	**20,258,084**
Earnings per share for Class A and Class B shares	**$**	**0.38**

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

Lehman Brothers Private Equity Partners Limited

Consolidated Statement of Changes in Net Assets

For the Period from 25 July 2007 (Commencement of Operations) to 31 December 2007

(Audited)

Increase (decrease) in net assets from operations		
Net investment income (loss)	$	(986,456)
Net realized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes		2,120,981
Net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars		19,123,559
Net increase (decrease) in net assets resulting from operations		20,258,084
Capital share transactions		
Proceeds from issuance of Class A common shares		542,100,000
Proceeds from issuance of Class B common shares		100,000
Net increase (decrease) in net assets from capital share transactions		542,200,000
Total increase (decrease) in net assets		**562,458,084**
Net assets at beginning of period		-
Net assets at end of period	**$**	**562,458,084**

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

Lehman Brothers Private Equity Partners Limited

Consolidated Statement of Cash Flows

For the Period from 25 July 2007 (Commencement of Operations) to 31 December 2007

(Audited)

Cash flows from operating activities		
Net increase (decrease) in net assets resulting from operations	$	20,258,084
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to cash and cash equivalents used in operating activities:		
Net realized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes		(2,120,981)
Net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars		(19,123,559)
Change in other assets		(2,681,093)
Change in payables to Investment Manager and affiliates		5,923,254
Change in accrued expenses and other liabilities		1,387,575
Net cash provided by (used in) operating activities		3,643,280
Cash flows from investing activities		
Distributions from private equity investments		19,920,299
Contributions to private equity investments		(135,118,993)
Purchases of investments		(288,062,771)
Net cash provided by (used in) investing activities		(403,261,465)
Cash flows from financing activities		
Proceeds from issuance of Class A ordinary shares		542,100,000
Proceeds from issuance of Class B ordinary shares		100,000
Capital contribution from Minority Interest		542,743
Net cash provided by (used in) financing activities		542,742,743
Effect of exchange rates on cash balances		2,224,219
Net increase (decrease) in cash and cash equivalents		**145,348,777**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	**$**	**145,348,777**

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

Note 1 – Organization

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in United States dollars. We received approval from the Netherlands Authority for the Financial Markets to prepare our financial statements in accordance with U.S. GAAP instead of accounting principles generally accepted in the Netherlands or International Financial Reporting Standards. We plan to continue to report in conformity with U.S. GAAP until the Netherlands Minister of Finance decides otherwise or specific contradictory legislation is passed at the European level.

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.

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, 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 consider subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events.

The Company has adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements. (See note 4)

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 financial statements.

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

Cash and Cash Equivalents
Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value. These investments represent amounts held with financial institutions that are readily accessible to pay expenses or fund investments as well as money market mutual funds. We hold two such funds, one denominated in United States dollars and the other, in Euros. These funds are managed by affiliates of our Investment Manager. (See Note 3)

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

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

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

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

Carried Interest

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

Currency Translation

Investments denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as of the valuation date. The Company does not separate the changes relating to currency exchange rates from those relating to changes in the fair value of the investments held. These fluctuations are combined and included in the net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars in the Consolidated Statement of Operations. The cumulative effect as of 31 December 2007 of translation to U.S. dollars has increased valuations of foreign investments by approximately $1,510,329.

The Company has unfunded commitments denominated in a currency other than U.S. dollars. These unfunded commitments are in Euros and amounted to €19,536,912 at 31 December 2007; they have been included in the Consolidated Condensed Schedule of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 December 2007. The effect on the 31 December 2007 unfunded commitment of the change in the exchange rate between Euros and U.S. dollars from the time the Company acquired the interest was an increase in the U.S. dollar obligation of approximately $979,430.

Income Taxes

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

With effect from 1 January 2008, Guernsey abolished the exempt company regime for some entities. At the same time the standard rate of income tax for companies moved from 20% to 0%. Therefore some entities previously exempt from tax under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 are now taxed at 0%.

However, the States of Guernsey Income Tax Authority has confirmed that collective investment schemes such as the Company can continue to apply for exempt status.

We expect to be treated as a passive foreign investment corporation in the United States. Income that we derive may be subject to withholding taxes imposed by the U.S. or other countries and will impact the Company's effective tax rate.

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

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

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

Shareholders in certain jurisdictions may have individual tax consequences from ownership of our shares. We have not accounted for any such tax consequences in these financial statements.

Use of Estimates

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

Note 3 – Agreements, including related party transactions

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

Management and Administration

We pay the Investment Manager a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the net asset value of our private equity and opportunistic investments. For purposes of this computation, the net asset value is reduced by the net asset value of any investment for which the Investment Manager also serves as investment manager. For the period from inception to 31 December 2007, the management fee expense was $2,085,314.

We also pay the Investment Manager for certain accounting and administrative services at the rate of 2.5 basis points per quarter (10 basis points per annum) applied to our net asset value at the end of each calendar quarter, computed as described above. The amount incurred by the Company for the period from inception to 31 December 2007 for these services was $164,750.

Beginning in 2008, these payments to the Investment Manager are made in accordance with an amendment approved by the Board of Directors in January 2008 to the Investment Management Agreement that 90% of the management fee amount, based upon the reported monthly net asset value, will be paid as soon as practicable following the release of the monthly net asset value, with the remaining management fee payable after issuance of the quarterly or annual financial report. The final amounts paid are determined with reference to the net asset value reported in the quarterly or annual report.

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

Special Limited Partner's Minority Interest in Subsidiary and Carried Interest

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. The minority interest of $542,743 represents the Special Limited Partner's capital contribution to the partnership subsidiary. The amount of the minority interest is agreed between the General Partner and Special Limited Partner of the subsidiary. Under terms of the partnership agreement, no income or loss was allocated to the Special Limited Partner for 2007. Such allocations are provided for in subsequent years.

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5% of our consolidated net increase in net assets resulting from operations for a fiscal year in the event that our internal rate of return for such period, based on our net asset value, exceeds 7.5%. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the internal rate of return calculations for future periods. Carried interest is reduced by the amount of carried interest that we pay during the period related to any investment for which the Investment Manager serves as investment manager. Carried interest is accrued periodically and paid at the conclusion of the fiscal year. Our initial reporting period from 25 July 2007 (commencement of operations) to 31 December 2007 is considered a fiscal year for purposes of this calculation and the annual hurdle rate is pro rated for this initial period. As of 31 December 2007, the amount of the carried interest accrued was $1,642,547.

Shares Owned by Lehman Brothers

Simultaneously with the closing of the global offering and related transactions, affiliates of Lehman Brothers purchased $145 million of Class A shares, in the form of restricted depositary shares applicable to investors in the United States, at the offering price. These shares are subject to a restriction on re-sale for a period of 3 years.

Pursuant to a trading plan commenced in November 2007, affiliates of Lehman Brothers have acquired an additional 244,000 shares through 31 January 2008. Such shares were acquired on the open market and are not subject to any restrictions on re-sale. The trading plan expires on 16 May 2008 and aggregate share purchases under the plan are not expected to exceed 1.3% of outstanding shares.

Initial Investments Acquired from Lehman Brothers

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

Investments in Lehman Brothers Private Equity Funds

The Company holds limited partner interests in private equity funds of funds managed and sponsored by the Investment Manager. The net asset value of these investments is excluded for purposes of calculating any management fee. As of 31 December 2007, the aggregate net asset value of these funds was approximately $62.6 million and associated unfunded commitments were $59.4 million.

Investments in Lehman Brothers Liquidity Funds
The Company invests its excess cash in listed money market funds sponsored by Lehman Brothers. Balances in the Lehman Brothers Liquidity Funds: U.S. Dollar Liquidity Fund and Euro Liquidity Fund are $98,459,496 and $42,569,017, respectively.

Licensing Agreement with Lehman Brothers
The Company and its subsidiaries entered into a licensing agreement with Lehman Brothers pursuant to which Lehman Brothers granted to each such entity a non-exclusive, royalty-free license to use the name "Lehman Brothers". The licensing agreement terminates upon, among other things, the termination of the investment management and services agreement.

Other
In addition to the amounts discussed above for carried interest and management and administration fees, amounts payable to Investment Manager and affiliates includes $2,833,367 related to various matters and other assets includes a receivable from an affiliate of $462,500.

Note 4 – Fair Value of Financial Instruments

The Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, ("FAS 157") on 25 July 2007 (Commencement of Operations). FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of this hierarchy are as follows:

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 observable (i.e. supported by little or no market activity).

The following table details the Company's financial assets and liabilities that were accounted for at fair value as of 31 December 2007 by level and fair value hierarchy. As required by FAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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

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

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

For the Period from 25 July 2007 (Commencement of Operations) to 31 December 2007

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

Note 5 – Debt Facility

A subsidiary of the Company has entered into an agreement with The Bank of Scotland regarding a senior secured revolving credit facility ("Facility") of up to $250 million. The term of the Facility is seven years and expires in August 2014. At 31 December 2007 no amounts have been borrowed and no assets have been pledged. The Facility will be secured by the following:

- a security interest in the Company's interest in 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 underlying 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

Subsequent to borrowing under the Facility, 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.

All borrowings under the Facility will bear interest at a floating rate, calculated as LIBOR or Euribor, as appropriate, plus 1.35% per annum. In addition, we will be 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 period from 25 July 2007 (Commencement of Operations) to 31 December 2007 we incurred and capitalized $2,741,065 for arrangement fees and other debt issuance costs, and incurred and expensed $386,111 for commitment fees and $50,000 for monitoring fees related to the Facility. Capitalized amounts are being amortized on a straight-line basis over the term of the Facility.

Note 6 – Income Taxes

The Company is exempt from 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 provided $2,607,213 in tax expense with regard to these investments. Of such amount, a current tax expense of $705,110 is reflected in net realized gains and a deferred tax expense of $1,902,103 is reflected in net changes in unrealized gains on the consolidated statement of operations.

The Company has recorded a net deferred tax liability of $1,902,103 related to net unrealized gains. Gross deferred tax assets of $895,540 relating to unrealized losses on investments held in entities that file separate tax returns are offset by a full valuation allowance.

Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* ("FIN 48") requires us to determine whether a tax position we take is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the provision of interest and penalties on uncertain tax positions. The Company has adopted a policy of providing interest on uncertain tax positions in the Company’s tax provision. The application of FIN 48 has had no material impact on the Company’s financial statement.

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

The computation for earnings per share in net assets resulting from operations for the period from 25 July 2007 (Commencement of Operations) to 31 December 2007 is as follows:

Net increase (decrease) in net assets resulting from operations	$ 20,258,084
Divided by weighted average shares outstanding for Class A and B shares	53,509,563
Earnings per share for Class A and B shares resulting from operations	**$ 0.38**

Note 8 – Financial Highlights

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

Per share operating performance:		**Based on Shares Outstanding at 31 December 2007**
Net asset value, beginning of period	$	-
Issuance of Class A and Class B common shares		10.00
Net increase in net assets resulting from operations:		
Net investment income (loss)		(0.02)
Net realized and unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars		0.39
Total net increase in net assets resulting from operations		0.37
Net asset value, end of period	**$**	**10.37**

Total return:	**Based on Weighted Average Net Assets**
Total return before carried interest	9.33%
Carried interest	(0.70%)
Total return after carried interest	**8.63%**

Net investment income (loss) and expenses ratios:	**Based on Weighted Average Net Assets**
Net investment income (loss)	(0.42%)
Expense ratios:	
Expenses before carried interest	1.89%
Carried interest	0.70%
Total	**2.59%**

All returns and ratios were calculated based on the weighted average net assets and have been presented on an annualized basis.

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

Note 9 – Recently Issued Accounting Pronouncements

Fair Value Option
In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, (“FAS 159”). FAS 159 provides entities the option to elect to carry most financial assets and liabilities at fair value with changes in fair value recorded in operating results. FAS 159 is effective for fiscal years beginning after 15 November 2007. Early adoption

is permitted as of the beginning of a fiscal year that begins on or before 15 November 2007, provided that the entity also elects to apply the provisions of FAS 157. The Company does not expect the adoption of FAS 159 to have a material impact on the financial statements.

FAS 160

In December 2007, the Financial Accounting Standards Board ("the Board") issued the Statement of Financial Accounting Standards No. 160; *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*. The Statement amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest (also called a minority interest) in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Statement is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited by the Statement. At this time, the Company is evaluating the effects of this pronouncement on its financial statements.