

Lehman Brothers Private Equity Partners Limited



INTERIM FINANCIAL REPORT (UNAUDITED)

AS OF 31 MARCH 2008, AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008

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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 <ul style="list-style-type: none"> ■ 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 <ul style="list-style-type: none"> ■ Over 20 years of private equity investing experience ■ Ten-member Investment Committee with an aggregate of more than 180 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)

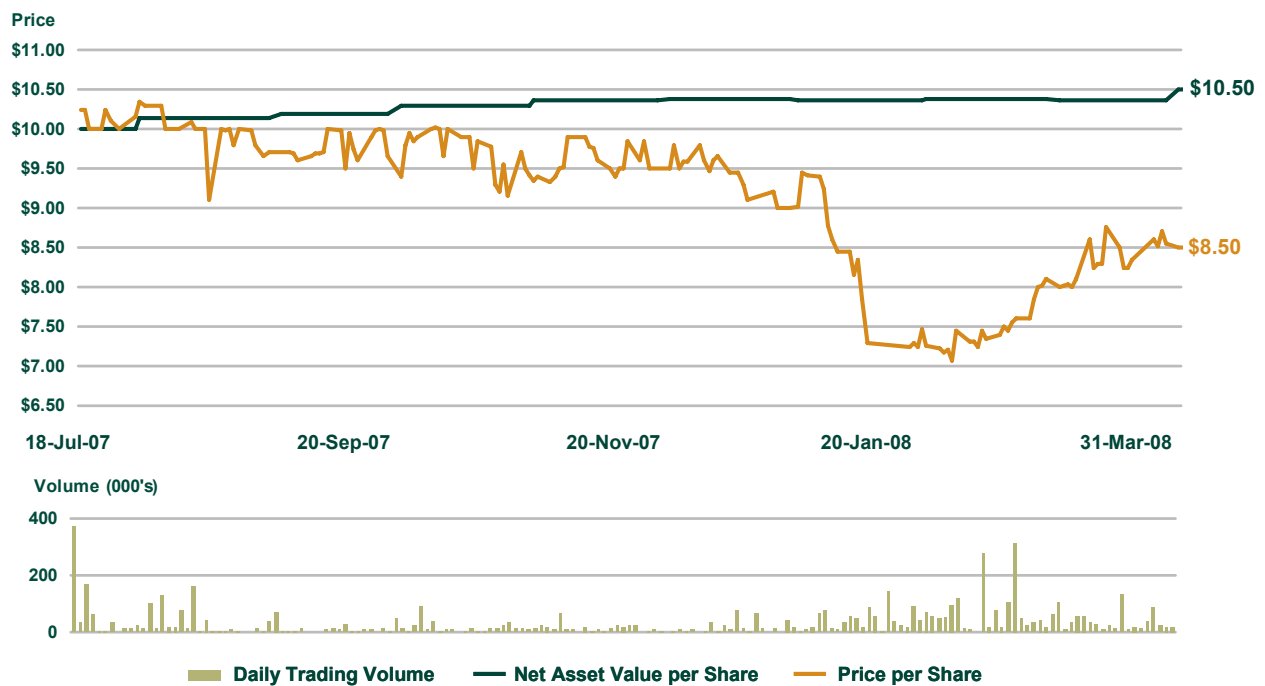
	At 31 March 2008	At 31 December 2007
Net Asset Value	\$569.2	\$562.5
Net Asset Value per Share	\$10.50	\$10.37
Fund Investments	\$364.2	\$326.4
Direct Co-investments	\$86.8	\$94.2
Total Private Equity Investments	\$451.0	\$420.6
Private Equity Investment Level	79%	75%
Cash and Cash Equivalents	\$123.3	\$145.3

INVESTMENT RESULTS

Since the end of 2007, net asset value increased from \$562.5 million to \$569.2 million, or \$10.50 per Share, at 31 March 2008. This represents an increase of \$0.13 per Share, or 1.2%, compared to the net asset value per Share of \$10.37 on 31 December 2007. During the first quarter, our portfolio benefited as a result of notable realizations in the portfolios of Apollo Investment Fund V and American Capital Equity II. In addition, we profited from the first full realization in our co-investment portfolio as Mont Fort Re Ltd. was successfully exited. Mont Fort Re was a vintage year 2007 co-investment that generated a gross IRR of over 60%.¹ The offsetting changes in valuation during the quarter included certain unrealized privately held investments that decreased in value. Before issuing this Interim Financial Report, one such company was proactively written off by our Investment Manager after receiving notification that it had declared Chapter 11 bankruptcy.

From 31 December 2007 through the end of March, we funded approximately \$44.9 million of capital calls, including co-investments, and received approximately \$23.4 million of distributions from our underlying private equity portfolio. Subsequent to the first quarter, for the period from 31 March 2008 through 7 May 2008, we also funded an additional \$27.7 million of capital calls and received \$5.7 million of distributions. Approximately 31% of the capital deployed during the first quarter was to our portfolio of special situations / distressed investments. Distributions received during the first quarter included an aggregate \$22.5 million from direct fund investments and co-investments and an aggregate \$0.9 million from Lehman Crossroads Fund XVII and Lehman Crossroads Fund XVIII.

SHARE PRICE PERFORMANCE AND NET ASSET VALUE PER SHARE



1. Past performance is not indicative of future results. Gross internal rates of return do not reflect the management fees, carried interest, taxes, transaction costs and other expenses to be borne by investors in LBPE.

INVESTMENT PORTFOLIO SUMMARY

During the first quarter of 2008, we added one new investment to our private equity portfolio: a direct co-investment in Press Ganey Associates, Inc. alongside Vestar Capital Partners. As mentioned above, we also fully realized our co-investment in Mont Fort Re Ltd.

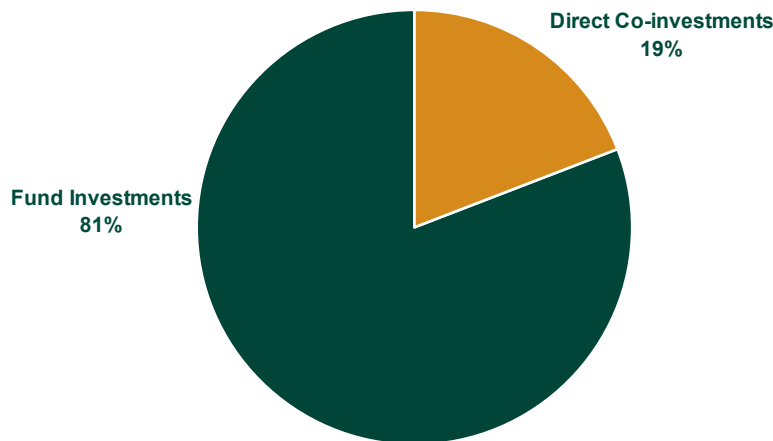
As of 31 March 2008, our private equity investment portfolio consisted of 51 fund investments and direct co-investments, and the net asset value and total exposure of our private equity investments was \$451.0 million and \$713.8 million, respectively.

Subsequent to quarter end, we finalized two investments in April: a direct co-investment in Seventh Generation, Inc. alongside Catamount Ventures; and a \$7.0 million commitment to Summit Partners Europe Private Equity Fund. From 1 May 2008 through 7 May 2008, we committed to a mezzanine co-investment in Firth Rixson, plc alongside Lehman Brothers Mezzanine Partners in addition to a supplemental equity co-investment alongside Oak Hill Capital Partners. The investments that were committed to after 31 March 2008 are not included in the summary below or in the portfolio overviews throughout this Interim Financial Report.

PRIVATE EQUITY INVESTMENT PORTFOLIO – 31 MARCH 2008

(\$ in millions)	Number of Investments	Net Asset Value	Unfunded Commitments	Total Exposure
Fund Investments	37	\$364.2	\$258.1	\$622.3
Direct Co-investments	14	86.8	4.6	91.4
Total Private Equity Investments	51	\$451.0	\$262.7	\$713.8

PORTFOLIO ALLOCATION BASED ON NET ASSET VALUE



INVESTMENT STRATEGY AND CAPITAL DEPLOYMENT

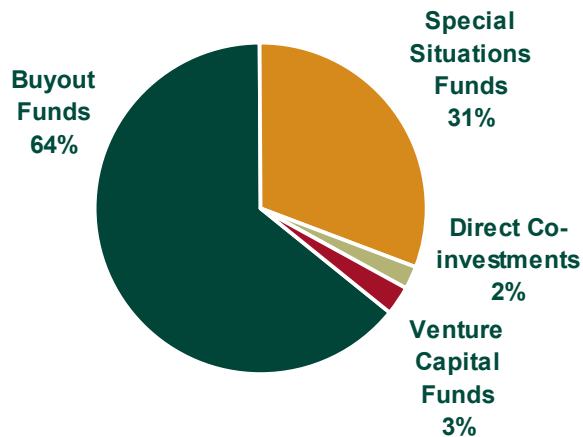
When managing our private equity investment portfolio, we seek to generate attractive returns on our capital by increasing our net asset value over the long term. We seek to implement our strategy by making investments into high quality private equity funds and direct co-investments, while also maintaining 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 our previously stated investment strategy, we have over-weighted our allocation to special situations, including distressed managers. At quarter end, special situations investments represented 20% of our investment portfolio based on total private equity exposure. Approximately 31% of the capital deployed during Q1 2008 was invested in special situations funds, increasing our special situations exposure on a private equity net asset value basis to 17%. Given the recent volatility in the credit markets and the potential strain that may be caused by a slowing economy, we continue to believe that 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 and growth equity 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 continue to seek out other private equity asset classes, such as mezzanine investments, which 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 March 2008, our private equity investment level and total private equity exposure were 79% and 125% of total net asset value, respectively. This compares to 75% and 129%, respectively, at 31 December 2007. Based on our projections for future capital deployment, we continue to expect to be fully invested in private equity by Q3 2008.

FUNDED CAPITAL CALLS AND CO-INVESTMENTS DURING Q1 2008



PORTFOLIO AND INVESTMENT ACTIVITY

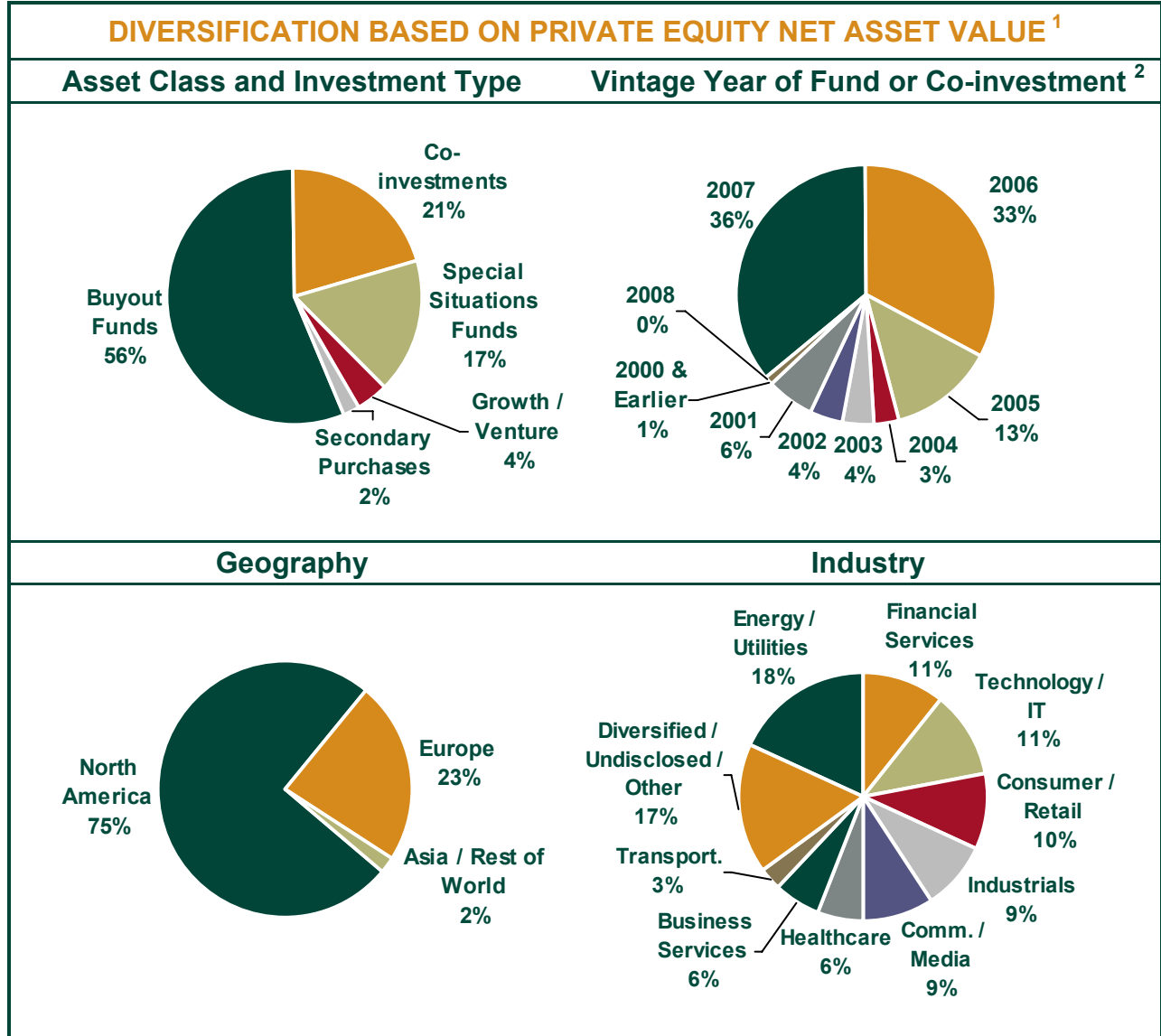
Portfolio and investment activity for the three month period ended 31 March 2008 was as follows:

(\$ in millions)

	Fund Investments	Direct Co-investments
Capital Calls / Co-investments Funded	\$43.9	\$1.0
Distributions Received	\$16.6	\$6.8
Realized Gains	\$0.0	\$1.5
Unrealized Appreciation (Depreciation)	\$7.5	(\$3.0)
New Commitments / Investments	0	1
Amount Committed / Invested	\$0.0	\$1.0

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 March 2008.

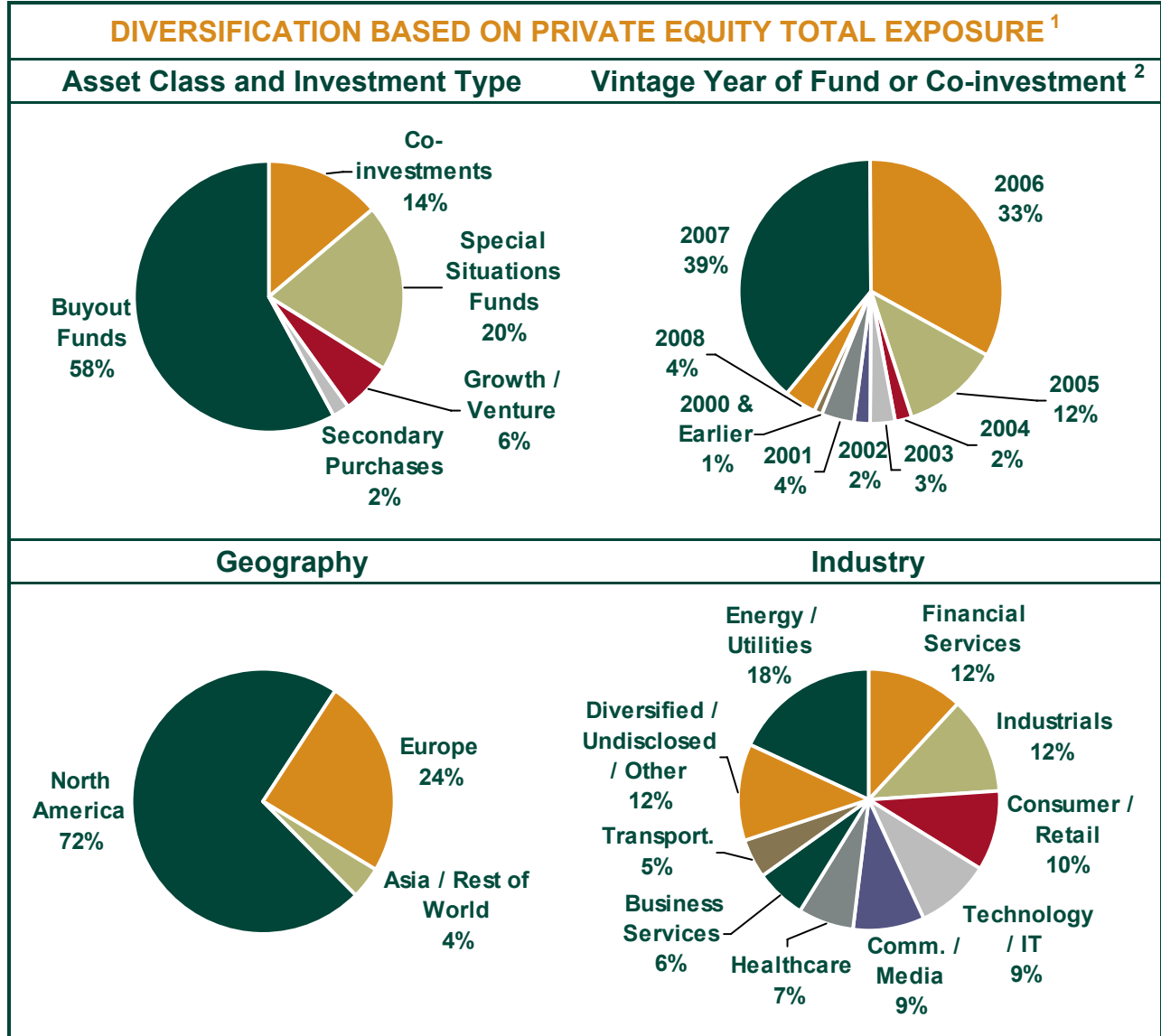


1. The diversification analysis by asset class and investment type is based on the net asset value of underlying fund investments and co-investments. The diversification analysis by vintage year, geography and industry is based on the diversification of underlying portfolio company investments at fair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

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

PORTFOLIO DIVERSIFICATION

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



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

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

VINTAGE YEAR DIVERSIFICATION

In addition to the overall diversification of our private equity portfolio, we continue to be mindful of potential changes in the market in order to capitalize on the most attractive opportunities at a given point in time. For recent vintage years, we consciously over-weighted our allocation to special situations funds in order to take advantage of distressed investment opportunities. In addition, through both our fund commitments and our direct co-investments, we targeted specific industries such as energy / utilities and other defensive sectors which we believe present attractive investment opportunities.

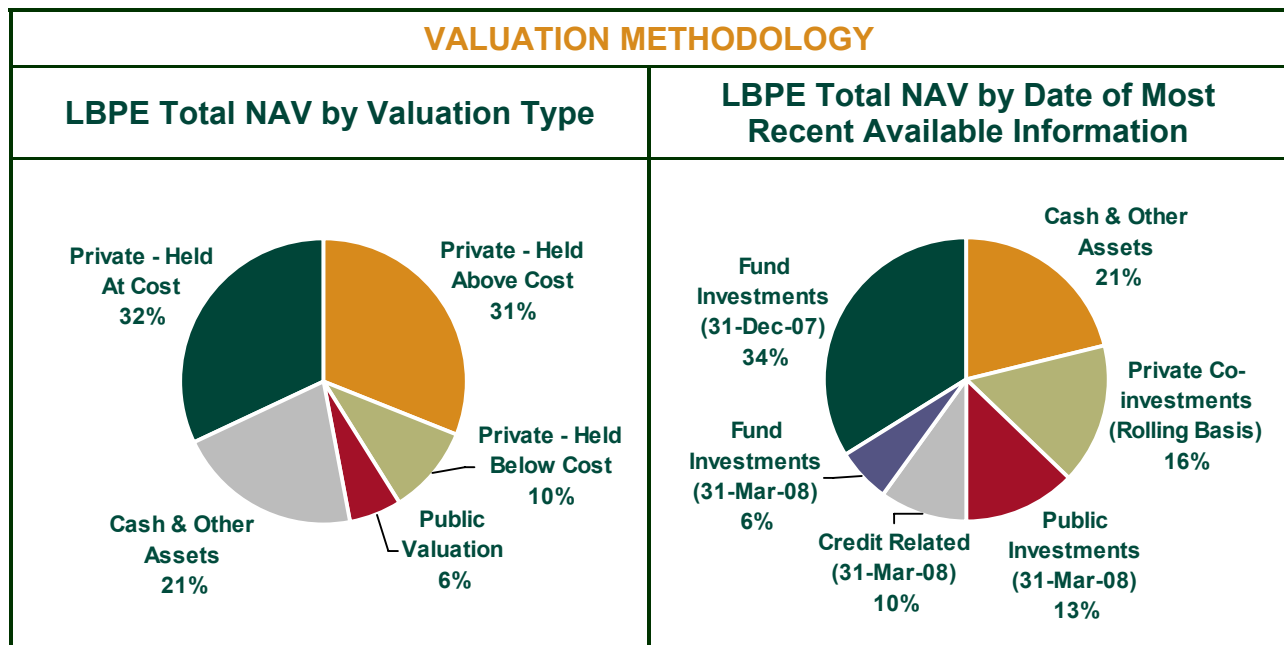
The table below demonstrates the diversification of our private equity net asset value by vintage year and investment type as of 31 March 2008.

DIVERSIFICATION BY VINTAGE YEAR AND INVESTMENT TYPE					
(\$ in millions)	Vintage Year				
	<=2004	2005	2006	2007	2008
Buyout Funds	\$71.0	\$45.6	\$101.3	\$38.7	\$0.0
Co-investments	-	0.9	24.0	67.3	1.1
Special Situation Funds	0.5	2.6	16.7	54.8	-
Growth / Venture	3.2	4.1	4.4	4.4	0.0
Secondary Purchases	1.9	7.9	0.4	0.0	-
Total	\$76.6	\$61.2	\$146.8	\$165.3	\$1.2
	Vintage Year				
	<=2004	2005	2006	2007	2008
Buyout Funds	93%	75%	69%	23%	3%
Co-investments	0%	2%	16%	41%	95%
Special Situation Funds	1%	4%	11%	33%	0%
Growth / Venture	4%	7%	3%	3%	2%
Secondary Purchases	2%	13%	0%	0%	0%
Total	100%	100%	100%	100%	100%
% in Energy / Utilities	6%	5%	20%	28%	9%

VALUATION METHODOLOGY

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

The graphs below illustrate the diversification of our total net asset value by valuation type and the date of most recent available information as of 31 March 2008.



Our net asset value of \$10.50 per share as of 31 March 2008 was 1 cent lower than previously reported in our March 2008 Monthly Report due to the receipt of additional portfolio valuation information. The valuation revisions that occurred after issuing our March 2008 Monthly Report included, among other items, the effects of proactively writing off one underlying portfolio company after receiving notification that it had declared Chapter 11 bankruptcy.

PRIVATE EQUITY INVESTMENT PORTFOLIO

The following is a list of our private equity investments as of 31 March 2008.

(\$ 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	\$0.2	\$4.4
American Capital Equity II	Buyout	U.S.	2005	7.5	2.1	9.7
Apollo Investment Fund V	Buyout	U.S.	2001	15.7	2.7	18.4
Aquiline Financial Services Fund	Buyout	U.S.	2005	1.1	3.5	4.6
ArcLight Energy Partners Fund IV	Buyout	U.S.	2007	6.1	13.7	19.8
Avista Capital Partners	Buyout	U.S.	2006	11.5	5.1	16.6
Bertram Growth Capital I	Growth Equity	U.S.	2007	3.5	11.8	15.4
Carlyle Europe Partners II	Buyout	Europe	2003	8.5	0.9	9.5
Clayton, Dubilier & Rice Fund VII	Buyout	U.S.	2005	19.5	7.0	26.5
Clessidra Capital Partners	Buyout	Europe	2004	3.1	1.9	5.0
Corsair III Financial Services Capital Partners	Buyout	Global	2007	4.2	5.3	9.5
CVI Global Value Fund	Special Situations	Global	2006	13.4	2.3	15.6
Doughty Hanson & Co IV	Buyout	Europe	2003	8.9	0.6	9.5
First Reserve Fund XI	Buyout	U.S.	2006	12.6	13.2	25.8
Investitori Associati III	Buyout	Europe	2000	2.2	1.0	3.2
J.C. Flowers II	Buyout	Global	2006	4.8	4.1	8.9
KKR 2006 Fund	Buyout	Global	2006	20.6	9.5	30.0
KKR Millennium Fund	Buyout	Global	2002	14.4	0.3	14.7
Lehman Crossroads Fund XVII	Diversified	U.S.	2002 - 2006	32.7	15.1	47.8
Lehman Crossroads Fund XVIII Large-cap Buyout	Buyout	Global	2005 - 2008	8.7	5.7	14.3
Lehman Crossroads Fund XVIII Mid-cap Buyout	Buyout	Global	2005 - 2008	15.6	23.7	39.3
Lehman Crossroads Fund XVIII Special Situations	Special Situations	Global	2005 - 2008	6.9	3.6	10.5
Lehman Crossroads Fund XVIII Venture Capital	Venture / Growth	U.S.	2006 - 2008	3.0	7.2	10.2
Lightyear Fund II	Buyout	U.S.	2006	4.1	5.3	9.4
Madison Dearborn Capital Partners V	Buyout	U.S.	2006	8.0	2.1	10.1
OCM Opportunities Fund VIIb	Special Situations	U.S.	2008	-	20.0	20.0
OCM Principal Opportunities Fund IV	Buyout	U.S.	2007	10.2	10.0	20.2
Platinum Equity Capital Partners II	Special Situations	U.S.	2007	6.8	12.9	19.7
Prospect Harbor Credit Partners	Special Situations	U.S.	2007	15.5	-	15.5
Sankaty Credit Opportunities III	Special Situations	U.S.	2007	24.0	4.5	28.5
Sun Capital Partners V	Special Situations	U.S.	2007	1.0	8.8	9.8
Terra Firma Capital Partners III	Buyout	Europe	2007	18.0	16.6	34.6
Thomas H. Lee Equity Fund VI	Buyout	U.S.	2006	14.3	13.3	27.6
Trident IV	Buyout	U.S.	2007	0.9	4.0	5.0
Warburg Pincus Private Equity VIII	Buyout	Global	2001	10.7	-	10.7
Wayzata Opportunities Fund II	Special Situations	U.S.	2007	6.1	13.8	19.9
Welsh, Carson, Anderson & Stowe X	Buyout	U.S.	2005	15.7	6.2	21.9
Total Fund Investments				\$364.2	\$258.1	\$622.3
Direct Co-investments ⁽¹⁾						
Avaya, Inc.	Buyout	U.S.	2007			
Dresser Holdings, Inc.	Buyout	U.S.	2007			
Edgen Murray Corporation	Buyout	U.S.	2007			
Energy Future Holdings Corp. (f/k/a TXU Corp.)	Buyout	U.S.	2007			
First Data Corporation	Buyout	U.S.	2007			
Firth Rixson, plc	Buyout	Europe	2007			
Freescale Semiconductor, Inc.	Buyout	U.S.	2006			
Group Ark Insurance Holdings Limited	Buyout	Global	2007			
Kyobo Life Insurance Co., Ltd.	Buyout	Asia	2007			
Linn Energy, LLC	Buyout	U.S.	2007			
MaRI Holdings Limited	Buyout	Global	2007			
Press Ganey Associates, Inc.	Buyout	U.S.	2008			
Sabre Holdings Corporation	Buyout	U.S.	2007			
TPF Genco Holdings, LLC	Buyout	U.S.	2006			
Total Direct Co-investments				\$86.8	\$4.6	\$91.4
Total Private Equity Investment Portfolio				\$451.0	\$262.7	\$713.8

1. Co-investment values are given on an aggregate-only basis. No single co-investment comprises more than 3% of total net asset value.

LARGEST UNDERLYING INVESTMENTS

At 31 March 2008, our private equity investment portfolio included exposure to over 2,100 separate companies, with our allocable portion of approximately 815 companies valued at greater than \$20,000. Our ten largest portfolio company investments totaled approximately \$94 million in fair value, or 21% of our private equity investments and 16% of our total net asset value. Our twenty largest portfolio company investments totaled approximately \$139 million in fair value, or 31% of our private equity investments and 24% of our total net asset value. No individual company accounted for more than 3% of total net asset value at quarter end. Listed below are the twenty largest portfolio company investments in alphabetical order.

Company Name	Status	Business Description	Partnership
Affinion Group Holdings, Inc.	Privately Held	Marketing solutions	Apollo V
Avaya, Inc.	Privately Held	Communication systems, applications and services for enterprises	Direct, Fund XVIII
Dresser Holdings, Inc.	Privately Held	Energy infrastructure and oilfield equipment and services	Direct, First Reserve XI, Fund XVII
Edgen Murray Corporation	Privately Held	Distributor and marketer of steel and alloy products	Direct, Fund XVII
EMI	Privately Held	Global music publishing and recorded music	Terra Firma III
Energy Future Holdings Corp. (f/k/a TXU Corp.)	Privately Held	Power generation, transmission and distribution, and retail electricity services	Direct, KKR 2006, Fund XVIII
First Data Corporation	Privately Held	Global payment processing services	Direct, KKR 2006, Fund XVIII
Firth Rixson, plc	Privately Held	Supplier of specialist metal products primarily for the aerospace industry	Direct
Freescale Semiconductor, Inc.	Privately Held	Semiconductor developer and manufacturer	Direct, Carlyle Europe II, Fund XVII, Fund XVIII
Group Ark Insurance Holdings Limited	Privately Held	Lloyd's based specialty P&C insurer	Direct, Aquiline, Fund XVIII
HD Supply	Privately Held	Diversified wholesale distributor	Clayton, Dubilier & Rice VII, Fund XVIII
Hexion Specialty Chemicals	Privately Held	Producer of binder, adhesive, coating and ink resins for industrial applications	Apollo V
Linn Energy, LLC	Publicly-Traded	Independent oil and gas company	Direct
MaRI Holdings Limited	Privately Held	Natural catastrophe reinsurance	Direct
Nielsen Company	Privately Held	Global information and media products and services	Carlyle Europe II, KKR Millennium, THL Fund VI, Fund XVII
Sabre Holdings Corporation	Privately Held	Travel services	Direct, Fund XVII, Fund XVIII
ServiceMaster Company	Privately Held	Maintenance services, including lawn care, house cleaning and pest control	Clayton, Dubilier & Rice VII
TPF Genco Holdings, LLC	Privately Held	Natural gas fired power plants	Direct
U.S. Foodservice	Privately Held	Foodservice distributor	Clayton, Dubilier & Rice VII, KKR 2006, Fund XVIII
Unity Media	Privately Held	German cable television operator	Apollo V, Fund XVIII

At 31 March 2008, approximately \$33 million of our private equity investment portfolio was comprised of companies with publicly-traded securities. This amount represented 7% of our private equity investments and 6% of our total net asset value.

LEHMAN CROSSROADS FUND OF FUNDS INVESTMENTS

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

As of 31 March 2008, the fair value of our investment in Fund XVII was \$32.7 million, representing 7% of our total private equity investments and 5% of our total net asset value. The asset class diversification of our investment in Fund XVII based on private equity net asset value at quarter end was as follows¹: Buyout – 59%; Venture / Growth – 31%; and Special Situations – 7%. As of 31 March 2008, Fund XVII consisted of 62 primary fund investments, nine co-investments and five secondary purchases and included exposure to over 1,400 separate companies, with the ten largest companies totaling approximately \$3.3 million in fair value, or less than 0.5% of our total net asset value.

As of 31 March 2008, the aggregate fair value of our investments in Fund XVIII was \$34.2 million, representing 8% of our total private equity investments and 5% of our total net asset value. The asset class diversification of our investments in Fund XVIII based on private equity net asset value at quarter end was as follows¹: Buyout – 71%; Special Situations – 20%; and Venture / Growth – 9%. As of 31 March 2008, Fund XVIII consisted of 71 primary fund investments, 23 co-investments and four secondary purchases and included exposure to over 825 separate companies, with the ten largest companies totaling approximately \$4.8 million in fair value, or less than 1% of our total net asset value.

The table below lists our ten largest investments in Fund XVII and Fund XVIII as of 31 March 2008. At quarter end, the ten largest investments in Fund XVII had a fair value of approximately \$9.5 million, or 2% of our total private equity investments and 1% of our total net asset value. The ten largest investments in Fund XVIII had a fair value of approximately \$8.8 million, or 2% of our total private equity investments and 1% of our total net asset value.

Ten Largest Investments in Fund XVII		Ten Largest Investments in Fund XVIII	
Partnership	Asset Class	Partnership	Asset Class
Apollo Investment Fund VI	Buyout	3i Eurofund V	Buyout
Battery Ventures VII	Venture Capital	Bain Capital Fund IX	Buyout
Candover 2005 Fund	Buyout	Blackstone Capital Partners V	Buyout
Carlyle/Riverstone Global E&P Fund III	Buyout	Doughty Hanson & Co V	Buyout
CVC European Equity Partners IV	Buyout	KKR 2006 Fund	Buyout
LS Power Equity Partners	Buyout	Madison Dearborn Capital Partners V	Buyout
New Enterprise Associates 11	Venture Capital	Newbridge Asia IV	Buyout
Oak Investment Partners XI	Venture Capital	TowerBrook Investors II	Buyout
Sankaty Credit Opportunities II	Special Situations	TPF Genco Holdings, LLC	Buyout
Warburg Pincus Private Equity IX	Special Situations	Wayzata Opportunities Fund	Special Situations

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

MARKET COMMENTARY

During the first quarter of 2008, the global economy continued to suffer from ongoing difficulties that began during the latter half of 2007. Increasing commodity prices, declining consumer confidence, inflationary concerns and the “credit crunch” have created a dramatically different environment for private equity than what existed just a year ago. The public equity markets in the United States remained largely closed to private equity exits as only seven private equity backed companies completed initial public offerings during the first quarter¹; however, the credit markets saw some reprieve as high yield and leveraged loan backlogs declined from record highs of \$108 billion in October 2007 and \$237 billion in July 2007, respectively, to \$67 billion and \$123 billion at the end of March 2008.² Distressed funds were among the few market participants to see an increase in deal activity during the first quarter as stressed and distressed assets became more abundant in the marketplace. This distressed investing activity is expected to increase even more as Moody’s is now predicting corporate default rates to rise to 4.6% over the coming year.³ Despite these challenging macro conditions, private equity assets under management surpassed the \$2 trillion mark during the first quarter (including both the net asset value of underlying portfolio companies as well as all capital raised but not yet invested), marking an all-time high for the asset class.⁴

In the coming quarters, we expect to see pricing and leverage expectations reach equilibrium, setting the stage for private equity activity to continue at a healthy pace more reminiscent of the levels seen prior to 2006. Many buyout firms (especially large-cap) have already started pursuing alternative investment structures to take advantage of attractive opportunities, including minority investments and corporate partnerships in emerging markets and capital infusions into distressed companies in the United States and Europe. In general, we expect that purchase price multiples will continue to decline and that dislocations caused by the credit crunch will provide attractive entry levels for opportunistic investors. We believe this environment will be particularly well-suited for distressed funds and private equity managers with a long track record of investing through multiple economic cycles. In light of this stance, we continue to believe that our broadly diversified portfolio of top-tier private equity funds and our over-weighted allocation to special situations / distressed leaves us well-positioned for outperformance in the current market.

1. *Lehman Brothers High Yield Syndicate and Lehman Brothers Loan Syndicate.*
2. *Thomson Venture Economics Venture Xpert Database.*
3. *Moody’s Investors Services, 12 February 2008.*
4. *“The Outlook for Private Equity: First Quarter 2008”, RREEF Research, April 2008.*

NEW INVESTMENTS

We completed one new direct co-investment during the first quarter of 2008:

Press Ganey Associates, Inc.

Direct Co-investment

For more than 20 years, Press Ganey Associates, Inc. has been committed to providing insight that allows healthcare organizations to improve the quality of care they provide while improving their bottom-line results. The company offers the largest comparative customer feedback databases, actionable data, solution resources, and unparalleled consulting and customer service. Based in South Bend, Indiana, Press Ganey currently partners with more than 7,000 health care facilities – including over 40% of U.S. hospitals – to measure and improve the quality of their care. The direct co-investment in Press Ganey was made alongside Vestar Capital Partners.

SUBSEQUENT INVESTMENTS

During the period from 31 March 2008 through 7 May 2008, we invested or committed to invest a total of \$19 million in the following private equity investments:

Summit Partners Europe Private Equity Fund

Primary Fund Investment

Summit Partners Europe Private Equity Fund is a growth equity fund that focuses on making investments in profitable, growing companies throughout Europe. Since its founding in 1984, Summit Partners has raised more than \$11 billion in capital and invested in nearly 300 businesses. Summit Partners is led by 15 managing directors who have more than 300 collective years of private equity and venture capital experience. The firm currently has offices in Boston, Palo Alto and London.

Seventh Generation, Inc.

Direct Co-investment

For 20 years, Seventh Generation has been at the forefront of a cultural change in consumer behavior and business ethics. One of the United States' first self-declared "socially responsible" companies, Seventh Generation is committed to becoming the world's most trusted brand of authentic, safe, and environmentally responsible products for a healthy home. The company is based in Burlington, Vermont and markets and distributes through natural food stores, supermarkets, online stores and mail-order catalogs in the United States and Canada. The direct co-investment in Seventh Generation was made alongside Catamount Ventures.

Firth Rixson, plc

Mezzanine Co-investment and Direct Co-investment

Firth Rixson supplies highly engineered products to its global aerospace and industrial customers from eleven manufacturing facilities located in the United States, United Kingdom, Hungary and China. Firth Rixson products include open and closed die forgings, seamless and welded rolled rings, superalloys, rolled and welded sheet metal and wear resistant castings served to its global aerospace and industrial customers. Firth Rixson's headquarters are located in Sheffield, England and East Hartford, Connecticut. The mezzanine co-investment in Firth Rixson was made alongside Lehman Brothers Mezzanine Partners while the direct equity co-investment was made alongside Oak Hill Capital Partners.

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 180 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 29 February 2008, Lehman Brothers had \$277 billion in client assets under management and 28,088 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

Board of Directors

Talmi 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
(Unaudited)

For the Three Month Period Ended 31 March 2008

Report of Independent Accountants

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

We have reviewed the accompanying consolidated statement of assets and liabilities of Lehman Brothers Private Equity Partners Limited and its subsidiaries (the "Company"), including the consolidated condensed schedule of private equity investments as of 31 March 2008, and the related consolidated statements of operations, of changes in net assets, and of cash flows for the three month period ended 31 March 2008, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of management and the directors of the Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

This report has been prepared for and only for the directors and shareholders of Lehman Brothers Private Equity Partners Limited as a body, and for no other purpose. We do not 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.


PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
8 May 2008

Lehman Brothers Private Equity Partners Limited
Consolidated Statement of Assets and Liabilities

Assets	31 March 2008 (Unaudited)	31 December 2007 (Audited)
Private equity investments (cost of \$427,674,651 for 2008 and \$401,787,541 for 2007)	\$ 451,012,799	\$ 420,588,984
Cash and cash equivalents		
Denominated in U.S. dollars	76,804,774	102,779,760
Denominated in Euros (cost of \$40,793,794 for 2008 and \$40,344,798 for 2007)	46,524,925	42,569,017
	123,329,699	145,348,777
Other assets	2,962,461	6,677,952
Total assets	\$ 577,304,959	\$ 572,615,713
Liabilities		
Payables to Investment Manager and affiliates	\$ 2,480,865	\$ 5,923,675
Accrued expenses and other liabilities	1,255,308	1,401,621
Current taxes payable	433,727	387,487
Net deferred tax liability	3,382,742	1,902,103
Total liabilities	\$ 7,552,642	\$ 9,614,886
Minority interest	\$ 549,494	\$ 542,743
Net assets		
Class A shares, \$0.01 par value, 500,000,000 shares authorized and 54,210,000 shares issued	\$ 542,100	\$ 542,100
Class B shares, \$0.01 par value, 100,000 shares authorized and 10,000 shares issued	100	100
Additional paid-in capital	541,657,800	541,657,800
Retained earnings	27,002,823	20,258,084
Total net assets	\$ 569,202,823	\$ 562,458,084
Total liabilities, minority interest and net assets	\$ 577,304,959	\$ 572,615,713
Net asset value per share for Class A and Class B shares	\$ 10.50	\$ 10.37

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

Private equity investments	Cost	Fair Value	Unfunded Commitment	Private Equity Exposure
31 March 2008 (Unaudited)				
Fund investments	\$ 341,639,534	\$ 364,224,206	\$ 258,096,996	\$ 622,321,202
Direct co-investments	86,035,117	86,788,593	4,645,372	91,433,965
Total private equity investments	\$ 427,674,651	\$ 451,012,799	\$ 262,742,368	\$ 713,755,167

31 December 2007 (Audited)				
Fund investments	\$ 311,101,575	\$ 326,001,715	\$ 300,332,368	\$ 626,334,083
Direct co-investments	90,409,480	94,171,705	4,645,372	98,817,077
Marketable securities	276,486	415,564	N/A	415,564
Total private equity investments	\$ 401,787,541	\$ 420,588,984	\$ 304,977,740	\$ 725,566,724

Private equity investments in excess of 5% of net asset value	Cost	Fair Value
31 March 2008 (Unaudited)		
Lehman Crossroads Fund XVII	\$ 30,714,459	\$ 32,695,934
Lehman Crossroads Fund XVIII		
Large-cap Buyout	8,452,687	8,669,078
Mid-cap Buyout	14,846,267	15,603,253
Special Situations	6,782,773	6,931,000
Venture Capital	3,121,928	2,990,028
	33,203,655	34,193,359
Total	\$ 63,918,114	\$ 66,889,293
31 December 2007 (Audited)		
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

Geographic diversity of private equity investments ⁽¹⁾	Fair Value 31 March 2008 (Unaudited)	Fair Value 31 December 2007 (Audited)
North America	\$ 300,634,172	\$ 283,427,108
Europe	90,757,898	86,680,555
Asia / Rest of World	9,770,403	8,544,905
Not yet classified	49,850,326	41,936,416
Total	\$ 451,012,799	\$ 420,588,984

Industry diversity of private equity investments ⁽²⁾	Fair Value 31 March 2008 (Unaudited)	Fair Value 31 December 2007 (Audited)
Energy / Utilities	17.7%	18.2%
Diversified / Undisclosed / Other	17.0%	15.9%
Financial Services	11.5%	13.0%
Technology / IT	10.5%	10.5%
Consumer / Retail	10.3%	11.5%
Industrials	9.3%	8.7%
Communications / Media	9.0%	8.7%
Healthcare	6.1%	6.1%
Business Services	5.5%	4.3%
Transportation	3.1%	3.1%
Total	100.0%	100.0%

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

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

Lehman Brothers Private Equity Partners Limited
Consolidated Statement of Operations
For the Three Month Period Ended 31 March 2008
(Unaudited)

Interest income	\$	1,331,685
Expenses		
Investment management and services		1,553,216
Administration and professional		673,672
Debt facility		351,761
		2,578,649
Net investment income (loss)		(1,246,964)
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 \$104,188		1,435,477
Net change in unrealized gain (loss) on investments, including transactions in currencies other than U.S. dollars, net of taxes of \$1,480,640		6,562,977
Net realized and unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars		7,998,454
Net increase (decrease) in net assets resulting from operations	\$	6,751,490
Less allocations to minority interest		6,751
Net increase (decrease) in net assets resulting from operations after allocations to minority interest	\$	6,744,739
Earnings per share for Class A and Class B shares	\$	0.12

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 Three Month Period Ended 31 March 2008
(Unaudited)

Increase (decrease) in net assets from operations

Net investment income (loss)	\$ (1,246,964)
Net realized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes	1,435,477
Net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes	6,562,977
Net increase (decrease) in net assets resulting from operations	6,751,490
Less allocations to minority interest	6,751
Net increase (decrease) in net assets resulting from operations after allocations to minority interest	6,744,739
Net assets at beginning of period	562,458,084
Net assets at end of period	\$ 569,202,823

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 Three Month Period Ended 31 March 2008
(Unaudited)

Cash flows from operating activities

Net increase (decrease) in net assets resulting from operations after minority interest	\$ 6,744,739
Net increase (decrease) in net assets resulting from operations allocated to minority interest	6,751
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	(1,435,477)
Net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars, net of taxes	(6,562,977)
Change in other assets	139,477
Change in payables to Investment Manager and affiliates	(3,442,810)
Change in accrued expenses and other liabilities	(132,267)
Net cash provided by (used in) operating activities	(4,682,564)

Cash flows from investing activities

Distributions from private equity investments	23,381,860
Proceeds from sale of investments	549,432
Contributions to private equity investments	(43,888,209)
Purchases of investments	(886,509)
Net cash provided by (used in) investing activities	(20,843,426)

Effect of exchange rates on cash balances	3,506,912
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Net increase (decrease) in cash and cash equivalents	\$ (22,019,078)
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Cash and cash equivalents at beginning of period	145,348,777
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Cash and cash equivalents at end of period	\$ 123,329,699
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The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

The Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, ("FAS 157") on 25 July 2007 (Commencement of Operations). (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Net Change in Unrealized Appreciation and Depreciation of Investments

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

Carried Interest

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

Currency Translation

Investments denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as of the valuation date. The Company does not separate the changes relating to currency exchange rates from those relating to changes in the fair value of the investments held. These fluctuations are combined and included in the net change in unrealized gain (loss) on investments and transactions in currencies other than U.S. dollars in the Consolidated Statement of Operations. For the three month period ended 31 March 2008, the effect of translation to U.S. dollars increased valuations of foreign investments by approximately \$2,948,105. In addition, cash equivalents denominated in Euros increased in value due to translation to U.S. dollars by \$3,506,912.

The Company has unfunded commitments denominated in a currency other than U.S. dollars. These unfunded commitments are in Euros and amounted to €16,981,749 at 31 March 2008; they have been included in the Consolidated Condensed Schedule of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 March 2008. For the three month period ended 31 March 2008, the effect on the unfunded commitment of the change in the exchange rate between Euros and U.S. dollars was an increase in the U.S. dollar obligation of approximately \$2,127,811.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

Investments made in entities that generate income that is effectively connected with a U.S. trade or business may subject the Company to certain U.S. federal and state income tax consequences. Generally the U.S. requires withholding on effectively connected income at the highest U.S. rate (generally 35 percent). In addition, the Company may also be subject to a branch profits tax which can be imposed at a rate of up to 30 percent of 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 three month period ended 31 March 2008, the management fee expense was \$1,440,463.

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 three month period ended 31 March 2008 for these services was \$112,753.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

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

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 March 2008, the minority interest of \$549,494 represents the Special Limited Partner’s capital contribution to the partnership subsidiary and income allocation. At 31 December 2007, the minority interest of \$542,743 represents the Special Limited Partner’s capital contribution to the partnership subsidiary. The amount of the minority interest is agreed between the General Partner and Special Limited Partner of the subsidiary.

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5% of our consolidated net increase in net assets resulting from operations for a fiscal year in the event that our internal rate of return for such period, based on our net asset value, exceeds 7.5%. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the internal rate of return calculations for future periods. Carried interest is reduced by the amount of carried interest that we paid during the period to any investment for which the Investment Manager serves as investment manager. Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 March 2008, the amount of the carried interest accrued was \$0.

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 depository 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 604,991 shares through 21 April 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 percent 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 percent 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 March 2008 and 31 December 2007, the aggregate net asset value of these funds was approximately \$66.9 million and \$62.6 million, respectively, and associated unfunded commitments were \$55.3 million and \$59.4 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Investments in Lehman Brothers Liquidity Funds

The Company invests its excess cash in listed money market funds sponsored by Lehman Brothers. As of 31 March 2008 and 31 December 2007, balances in the Lehman Brothers Liquidity Funds: U.S. Dollar Liquidity Fund were \$69,269,008 and \$98,459,496, respectively; and Euro Liquidity Fund were \$46,524,925 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, as of 31 March 2008 and 31 December 2007, amounts payable to Investment Manager and affiliates related to various matters included \$927,649 and \$2,833,367, respectively, and other assets included a receivable from an affiliate of \$346,875 and \$462,500, respectively.

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

The following table details the Company's financial assets and liabilities that were accounted for at fair value as of 31 March 2008 and 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

	Assets at Fair Value as of 31 March 2008		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 123,329,699	\$ -	\$ -
Private equity investments	6,079,620	-	444,933,179
Total assets that are accounted for at fair value	\$ 129,409,319	\$ -	\$ 444,933,179
	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. As of 31 March 2008, one co-investment that is publicly traded is classified as level 1. As of 31 December 2007, marketable securities which were distributed from a private equity investment are classified as level 1 and one co-investment that is publicly traded but subject to a lock-up agreement is classified as level 2; a discount is recorded to reflect the lock-up agreement.

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

Level 3 Financial Assets For the Three Month Period Ended 31 March 2008	
	Private Equity Investments
Balance, 31 December 2007	\$ 412,230,796
Total realized gains (losses)	1,380,382
Total unrealized gains (losses)	6,337,200
Purchases, issuances and settlements	25,164,366
Transfers in and/or out of level 3	(179,565)
Balance, 31 March 2008	\$ 444,933,179

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Level 3 Financial Assets	
For the Period from 25 July 2007 (Commencement of Operations) to 31 December 2007	
	Private Equity Investments
Balance, 25 July 2007 (Commencement of Operations)	\$ -
Total 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 March 2008 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 three month period ended 31 March 2008, we incurred and expensed \$252,778 for commitment fees related to the Facility. As of 31 March 2008 and 31 December 2007, unamortized capitalized debt issuance costs were \$2,490,888 and \$2,589,871, respectively. Capitalized amounts are being amortized on a straight-line basis over the term of the Facility. Amortized capitalized debt issuance costs were \$98,983 for the three month period ended 31 March 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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 recorded the following amounts related to such taxes:

	<u>31 March 2008</u>	
Current tax expense	\$	104,188
Deferred tax expense		1,480,640
Total tax expense	\$	1,584,828

	<u>31 March 2008</u>		<u>31 December 2007</u>	
Gross deferred tax assets	\$	1,625,147	\$	895,540
Less valuation allowance		1,625,147		895,540
Gross deferred tax liabilities		3,382,742		1,902,103
Net deferred tax liabilities	\$	3,382,742	\$	1,902,103

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

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 computations for earnings per share in net assets resulting from operations for the three month period ended 31 March 2008 is as follows:

	<u>31 March 2008</u>	
Net increase (decrease) in net assets resulting from operations	\$	6,744,739
Divided by weighted average shares outstanding for Class A and B shares		54,220,000
Earnings per share for Class A and B shares resulting from operations	\$	0.12

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 March 2008
Net asset value, beginning of period	\$ 10.37
Issuance of Class A and Class B common shares	-
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	0.15
	<u>0.13</u>
Net asset value, end of period	<u>\$ 10.50</u>

Total return:	Based on Weighted Average Net Assets
Total return before carried interest	4.81%
Carried interest	-
Total return after carried interest	<u>4.81%</u>

Net investment income (loss) and expenses ratios:	Based on Weighted Average Net Assets
Net investment income (loss)	(0.89%)
Expense ratios:	
Expenses before carried interest	1.84%
Carried interest	-
Total	<u>1.84%</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 9 – Recently Issued Accounting Pronouncements

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.