NB PRIVATE EQUITY PARTNERS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2012 and 2011

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

Independent Auditors' Report

The Members
NB Private Equity Partners Limited:

We have audited the accompanying consolidated financial statements of NB Private Equity Partners Limited and Subsidiaries (the Company), which comprise the consolidated balance sheets, including the consolidated condensed schedules of private equity investments, as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of NB Private Equity Partners Limited and Subsidiaries as of December 31, 2012 and 2011, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas
March 11, 2013

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

NB Private Equity Partners Limited

Consolidated Balance Sheets

31 December 2012 and 2011

Assets		2012		2011
Private equity investments				
(cost of $504,669,883 at 31 December 2012 and $493,864,537 at 31 December 2011)	$	564,013,476	$	538,393,517
Cash and cash equivalents		64,042,937		74,578,471
Restricted cash		3,364,018		3,364,018
Distributions receivable from Investments		24,249,375		53,723
Other assets		3,665,585		2,654,880
Total assets	**$**	**659,335,391**	**$**	**619,044,609**
Liabilities				
Liabilities:				
Zero dividend preference share liability	$	66,783,351	$	59,551,702
Payables to Investment Manager and affiliates		1,900,667		1,790,200
Carried interest payable		3,105,876		-
Accrued expenses and other liabilities		8,674,541		11,002,409
Net deferred tax liability		1,725,897		1,783,203
Total liabilities	**$**	**82,190,332**	**$**	**74,127,514**
Net assets				
Class A shares, $0.01 par value, 500,000,000 shares authorized,				
51,940,972 shares issued, and 48,790,564 shares outstanding at 31 December 2012				
(52,495,577 shares issued, and 49,345,169 shares outstanding at 31 December 2011)	$	519,410	$	524,956
Class B shares, $0.01 par value, 100,000 shares authorized,				
10,000 shares issued and outstanding		100		100
Additional paid-in capital		525,157,490		529,079,201
Retained earnings (deficit)		60,130,710		24,014,750
Less cost of treasury stock purchased (3,150,408 shares)		(9,248,460)		(9,248,460)
Total net assets of the controlling interest		576,559,250		544,370,547
Net assets of the non-controlling interest		585,809		546,548
Total net assets	**$**	**577,145,059**	**$**	**544,917,095**
Total liabilities and net assets	**$**	**659,335,391**	**$**	**619,044,609**
Net asset value per share for Class A and Class B shares	**$**	**11.81**	**$**	**11.03**
Net asset value per zero dividend preference share (Pence)		**124.32**		**115.83**

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

NB Private Equity Partners Limited

Consolidated Condensed Schedules of Private Equity Investments

31 December 2012 and 2011

Private equity investments	Cost	Fair Value	Unfunded Commitment	Private Equity [3] Exposure
2012				
Fund investments	$ 302,173,001	$ 350,579,296	$ 88,282,702	$ 438,861,998
Direct co-investments-equity [1]	120,406,752	130,578,873	104,867,320	235,446,193
Direct co-investments-direct yielding [2]	82,090,130	82,855,307	42,576,232	125,431,539
	$ 504,669,883	**$ 564,013,476**	**$ 235,726,254**	**$ 799,739,730**
2011				
Fund investments	$ 361,090,441	$ 401,536,989	$ 105,019,241	$ 506,556,230
Direct co-investments-equity	99,700,325	103,821,107	201,281,082	305,102,189
Direct co-investments-direct yielding	33,073,771	33,035,421	-	33,035,421
	$ 493,864,537	**$ 538,393,517**	**$ 306,300,323**	**$ 844,693,840**

Private equity investments in excess of 5% of net asset value	Fair Value
2012	
NB Crossroads Fund XVII	$ 30,739,835
NB Crossroads Fund XVIII	
Large-cap Buyout	11,849,427
Mid-cap Buyout	29,624,057
Special Situations	8,669,801
Venture	9,262,452
	59,405,737
2011	
NB Crossroads Fund XVII	$ 35,953,112
NB Crossroads Fund XVIII	
Large-cap Buyout	11,074,039
Mid-cap Buyout	31,356,530
Special Situations	9,050,955
Venture	9,465,028
	60,946,552
Centerbridge Credit Partners Fund, L.P.	32,136,572

(1) Including investments made through NB Alternatives Direct Co-investment Program .

(2) Including investments made through NB Healthcare Credit Investment Program.

(3) Private Equity Exposure is the sum of Fair Value and Unfunded Commitment.

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

NB Private Equity Partners Limited

Consolidated Condensed Schedules of Private Equity Investments (Continued)

31 December 2012 and 2011

Geographic diversity of private equity investments[1]	Fair Value 2012	Fair Value 2011
North America	$ 457,368,682	$ 423,252,623
Europe	80,459,054	91,559,644
Asia / Rest of World	12,083,769	16,528,161
Not classified	14,101,971	7,053,089
	$ 564,013,476	**$ 538,393,517**

Industry diversity of private equity investments[2]	Fair Value 2012	Fair Value 2011
Diversified / Undisclosed / Other	16.3%	26.0%
Industrials	13.7%	11.2%
Financial Services	11.7%	11.9%
Healthcare	10.9%	7.0%
Energy / Utilities	10.4%	13.5%
Consumer / Retail	9.9%	9.0%
Business Services	9.0%	3.3%
Technology / IT	8.8%	5.6%
Communications / Media	6.6%	8.3%
Transportation	2.7%	4.2%
	100.0%	**100.0%**

Asset class diversification of private equity investments[3]	Fair Value 2012	Fair Value 2011
Large-Cap Buyout	8.8%	8.6%
Large-Cap Buyout Co-Invest	8.4%	8.1%
Mid-cap Buyout	17.9%	20.7%
Mid-cap Buyout Co-Invest	13.1%	12.3%
Special Situation	22.3%	31.6%
Special Situation Co-Invest	0.3%	-
Direct Yielding Co-Invest	17.5%	6.1%
Growth/Venture	7.9%	8.0%
Secondary Purchases	3.8%	4.6%
	100.0%	**100.0%**

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

(2): Industry diversity is based on underlying portfolio companies and direct co-investments.

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

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

NB Private Equity Partners Limited

Consolidated Statements of Operations and Changes in Net Assets

For the Years Ended 31 December 2012 and 2011

		2012		2011
Interest and dividend income	$	8,448,771	$	5,734,583
Expenses				
Carried interest		3,105,876		-
Investment management and services		7,689,087		7,101,381
Administration and professional		2,130,660		2,627,841
Finance costs				
Zero dividend preference shares		4,672,793		4,338,615
Credit facility		1,503,373		1,485,848
		19,101,789		15,553,685
Net investment income (loss)	**$**	**(10,653,018)**	**$**	**(9,819,102)**
Realized and unrealized gains (losses)				
Net realized gain (loss) on investments, net of tax expense of $1,438,454 for 2012 and $2,664,705 for 2011	$	32,353,151	$	45,863,795
Net change in unrealized gain (loss) on investments, net of tax benefit of $57,306 for 2012 and $770,236 for 2011		14,455,088		(8,289,169)
Net realized and unrealized gain (loss)		46,808,239		37,574,626
Net increase (decrease) in net assets resulting from operations	$	36,155,221	$	27,755,524
Less net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest		39,261		27,756
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	**$**	**36,115,960**	**$**	**27,727,768**
Net assets at beginning of year attributable to the controlling interest		544,370,547		526,936,428
Less cost of stock repurchased and cancelled (554,605 shares for 2012 and 1,387,656 shares for 2011)		3,927,257		10,293,649
Net assets at end of year attributable to the controlling interest	**$**	**576,559,250**	**$**	**544,370,547**
Earnings (loss) per share for Class A and Class B shares of the controlling interest	***$***	***0.74***	***$***	***0.55***

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

NB Private Equity Partners Limited

Consolidated Statements of Cash Flows

For the Years Ended 31 December 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$ 36,115,960	$ 27,727,768
Net increase (decrease) in net assets resulting from operations attributable to the non-controlling interest	39,261	27,756
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gain) loss on investments	(32,353,151)	(45,863,795)
Net change in unrealized (gain) loss on investments	(14,455,088)	8,289,169
In-kind payment of interest income	(873,297)	(907,435)
Amortization of finance costs	(1,058,797)	672,357
Amortization of purchase premium (OID)	(116,806)	-
Change in restricted cash	-	(3,364,018)
Change in other assets	(433,243)	(18,964)
Change in payables to Investment Manager and affiliates	3,216,343	(265,388)
Change in accrued expenses and other liabilities	5,968,661	3,363,027
Net cash provided by (used in) operating activities	(3,950,157)	(10,339,523)
Cash flows from investing activities:		
Distributions from private equity investments	150,217,362	87,840,197
Proceeds from sale of private equity investments	11,021,430	87,294,148
Contributions to private equity investments	(26,503,770)	(50,382,827)
Purchases of private equity investments	(137,393,142)	(29,596,491)
Net cash provided by (used in) investing activities	(2,658,120)	95,155,027
Cash flows from financing activities:		
Stock repurchased and cancelled	(3,927,257)	(10,293,649)
Credit facility loan payments	-	(47,500,000)
Net cash provided by (used in) financing activities	(3,927,257)	(57,793,649)
Net increase (decrease) in cash and cash equivalents	**(10,535,534)**	**27,021,855**
Cash and cash equivalents at beginning of year	74,578,471	47,556,616
Cash and cash equivalents at end of year	**$ 64,042,937**	**$ 74,578,471**
Supplemental cash flow information		
Interest paid	**$ -**	**$ 65,233**
Net taxes paid	**$ 2,925,482**	**$ 1,408,585**
Supplemental non-cash flow investing activities		
Payable for investment purchased	**$ 3,364,018**	**$ 3,364,018**

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

NB Private Equity Partners Limited

Notes to Consolidated Financial Statements

31 December 2012 and 2011

Note 1 – Organization

NB Private Equity Partners Limited and its subsidiaries (the "Company", "We", or "Our") is a closed-end investment company registered in Guernsey. Our registered office is Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey GY1 4HY. We invest in private equity through private equity funds and co-investments. We may also make opportunistic investments. Our Class A ordinary shares are listed and admitted to trading on Euronext Amsterdam by NYSE Euronext and on the Specialist Fund Market of the London Stock Exchange plc under the symbol "NBPE". Our zero dividend preference shares (see note 6) are listed and admitted to trading on the Daily Official List of the Channel Islands Stock Exchange and the Specialist Fund Market of the London Stock Exchange under the symbol "NBPZ".

Our Class B ordinary shares were contributed at the time of our initial public offering to a Guernsey charitable trust whose trustee is Heritage Corporate Services Limited ("Trustee"). Class B ordinary 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 ordinary shares are limited to special consent rights involving specified events including merger, change in investment manager or investment policy, certain additional share issuances and certain material related party transactions as well as other events as described in our memorandum and articles of incorporation. Each Class A and B ordinary share participates equally in profits and losses.

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

Note 2 – Summary of Significant Accounting Policies and Risks

Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP) and are presented in United States dollars.

Market Risk

The Company's exposure to financial risks is both direct (through its holdings of assets and liabilities directly subject to these risks) and indirect (through the impact of these risks on the overall valuation of its investments). The Company's investments are generally not traded in an active market but are indirectly exposed to market price risk arising from uncertainties about future values of the investments held. The partnership investments of the Company each hold a portfolio of investments in underlying companies. These portfolio company investments vary as to type of security held by the underlying partnership (debt or equity, publicly traded or privately held), stage of operations, industry, geographic location, and geographic distribution of operations and size, all of which may impact the susceptibility of their valuation to market price risk.

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

Credit Risk

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

The cash and other liquid securities held can subject the Company to a concentration of credit risk. The Investment Manager attempts to mitigate the credit risk that exists with cash deposits and other liquid securities by regularly monitoring the credit rat-

ings of such financial institutions and evaluating from time to time whether to hold some of the Company's cash and cash equivalents in U.S. Treasuries or other highly liquid securities.

Liquidity Risk

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

Use of Estimates

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

Principles of Consolidation

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

Cash and Cash Equivalents

Cash and cash equivalents are valued at cost plus accrued interest, which approximates fair value. These balances represent amounts held with financial institutions that are readily accessible to pay expenses or fund investments. As of 31 December 2012 and 2011, $67,406,955 and $77,942,489 (including restricted cash) are held with JPMorgan Chase, respectively.

Restricted Cash

As of 31 December 2012 and 2011, we are required to maintain a cash balance of at least $3,364,018 by an investment purchase agreement with a deferred payment provision. The payment is due on 30 December 2013.

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. Valuations of the investments are reviewed and approved quarterly by Investment Manager. Publicly traded securities are valued based on quoted prices as of the last day of the relevant period less discounts to reflect legal restrictions associated with the securities, if any, that affect marketability. We determine such values for publicly traded securities held directly as well as known public positions held in the underlying private equity investments on a look-through basis. We estimate fair value for private interests based on a methodology that begins with the most recent information available from the general partner of the underlying fund or the lead investor of a direct co-investment, and considers subsequent transactions, such as drawdowns or distributions, as well as other information judged to be reliable that reports or indicates valuation changes, including realizations and other portfolio company events. If we conclude that it is probable that we will sell an investment, we adjust our carrying value to the amount we expect to realize from the sale, exclusive of transaction costs. Direct yielding investments are comprised of second lien or subordinated debt securities, for which there is generally no comparable public market. To determine fair value, we take into account the relevant following inputs: comparable market transactions, discount rates, cash flow projections, and/or liquidity, credit and market risk factors, company performance, current capital structure, applicable market trading and transaction comparables, applicable market yields, timing of future expected cash flows, and any recent trades in the secondary market for the security.

We have adopted FASB ASU No. 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). The new guidance has no significant effect on these financial statements. See note 4 for additional disclosures related to ASU 2011-04.

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

Investment Income

We earn interest and dividends from our direct investments and from our cash and cash equivalents. We record dividends when they are declared and interest when earned, provided we know the information or are able to reliably estimate it. Otherwise, we record the investment income when it is reported to us by the private equity investments. Discounts received or premiums paid in connection with the acquisition of loans are amortized into interest income using the effective interest method over the contractual life of the related loan. Payment-in-kind (PIK) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by obligator on the scheduled interest payment date. PIK interest is added to the principal balance of the loan and recorded as interest income.

Operating Expenses

Operating expenses are recognized when incurred. Operating expenses include amounts directly incurred by the Company as part of its operations, and do not include amounts incurred from the operations of our investments.

Realized Gains and Losses on Investments

For investments in private equity funds, we record our share of realized gains and losses incurred when we know that the private equity fund has realized its interest in a portfolio company and we have sufficient information to quantify the amount. For all other investments, we record realized gains and losses when the asset is realized and on the trade date. For all investments, realized gains and losses are recorded on a specific identification cost basis.

Net Change in Unrealized Gains and Losses of Investments

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

Carried Interest

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

Currency Translation

Investments denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as of the valuation date. The Company does not separate the changes relating to currency exchange rates from those relating to changes in the fair value of the investments held. These fluctuations are combined and included in the net change in unrealized gain (loss) on investments in the Consolidated Statements of Operations and Changes in Net Assets. For the year ended 31 December 2012, the effect of translation to U.S. dollars increased valuations of foreign investments by approximately $278,685. For the year ended 31 December 2011, the effect of translation to U.S. dollars decreased valuations of foreign investments by approximately $537,909.

The Company has unfunded commitments denominated in a currency other than U.S. dollars. These unfunded commitments are in Euro and amounted to €3,822,335 and €5,096,820 at 31 December 2012 and 2011 respectively; they have been included in the Consolidated Condensed Schedules of Private Equity Investments at the U.S. dollar exchange rate in effect at 31 December 2012 and 2011. 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 $10,291 and a decrease of $224,289, for 31 December 2012 and 2011 respectively.

Income Taxes

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

Generally, income that we derive from our investments may be subject to taxes imposed by the U.S. or other countries and will impact our effective tax rate.

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

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

We recognize a tax benefit in the consolidated financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. To date, we have not provided any reserves for taxes as all related tax benefits have been fully recognized. Although we believe we have adequately assessed for our uncertain tax positions, we acknowledge that these matters require significant judgment and no assurance can be given that the final tax outcome of these matters will not be different.

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

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

Forward Foreign Exchange Contracts

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

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

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

Note 3 – Agreements, including related party transactions

Management and Administration

We pay the Investment Manager a management fee calculated at the end of each calendar quarter equal to 37.5 basis points (150 basis points per annum) of the net asset value of our private equity and opportunistic investments. For purposes of this computation, the net asset value is reduced by the net asset value of any investment for which the Investment Manager is separately compensated as investment manager. For the years ended 31 December 2012 and 2011, the management fee expenses were $7,116,000 and $6,566,664, respectively.

We also pay the Investment Manager for certain accounting and administrative services at the rate of 2.5 basis points per quarter (10 basis points per annum) applied to the net asset value of our private equity and opportunistic investments at the end of each calendar quarter, computed as described above. The amounts incurred by the Company for the years ended 31 December 2012 and 2011 for these services were $573,087 and $534,717 respectively.

We pay to Heritage International Fund Managers Limited ("Heritage"), an affiliate of the Trustee, a fee for providing certain administrative functions relating to certain corporate services and Guernsey regulatory matters affecting the Company. Fees for these services are paid as invoiced by Heritage. We paid Heritage $112,924 and $124,525 for the years ended 31 December 2012 and 2011, respectively, for such services.

For the years ended 31 December 2012 and 2011, we paid our independent directors a total of $195,000 and $195,000 respectively.

Expenses related to the Investment Manager are included in investment management and services in the Consolidated Statements of Operations and Changes in Net Assets. Administration and professional expenses include fees for directors, audit and tax, trustee, legal, listing, and other items.

Special Limited Partner's Noncontrolling Interest in Subsidiary

An affiliate of the Investment Manager is a Special Limited Partner in a consolidated partnership subsidiary. At 31 December 2012 and 2011, the noncontrolling interest of $585,809 and $546,548 represented the Special Limited Partner's capital contribution to the partnership subsidiary and income allocation, respectively.

The following table reconciles the carrying amount of net assets, net assets attributable to the controlling interest and net assets attributable to the noncontrolling interest at 31 December 2012 and 2011.

	Controlling Interest	Noncontrolling Interest	Total
Net assets balance, 31 December 2010	$ 526,936,428	$ 518,792	$ 527,455,220
Net increase (decrease) in net assets resulting from operations	27,727,768	27,756	27,755,524
Stock repurchased and cancelled	(10,293,649)	-	(10,293,649)
Net assets balance, 31 December 2011	**$ 544,370,547**	**$ 546,548**	**$ 544,917,095**
Net increase (decrease) in net assets resulting from operations	36,115,960	39,261	36,155,221
Stock repurchased and cancelled	(3,927,257)	-	(3,927,257)
Net assets balance, 31 December 2012	**$ 576,559,250**	**$ 585,809**	**$ 577,145,059**

Carried Interest

The Special Limited Partner is entitled to a carried interest in an amount that is, in general, equal to 7.5 percent of our consolidated net increase in net assets resulting from operations for a fiscal year in the event that our internal rate of return for such period, based on our net asset value, exceeds 7.5 percent. If losses are incurred for a period, no carried interest is earned and such loss amounts are carried forward to be included in the calculations for future periods. Carried interest is reduced by the amount of carried interest that we paid during the period on any investment for which the Investment Manager serves as investment manager. Carried interest is also accrued and paid on any economic gain that we realize on treasury stock transactions. (See note 10). Carried interest is accrued periodically and paid at the conclusion of the fiscal year. As of 31 December 2012, $3,105,876 carried interest was accrued. As of 31 December 2011, no carried interest was accrued.

Shares Owned by Lehman Brothers

Lehman Brothers Holdings Inc. and/or one or more related entities owns 15,302,319 shares of our Class A ordinary shares, most of which were acquired at the initial public offering. Resale of these shares is not restricted.

Investments with the Investment Manager's Platform

The Company holds limited partner interests in private equity funds of funds managed and sponsored by the Investment Manager. These investments are excluded from the calculation of management fees. As of 31 December 2012 and 2011, the aggregate net asset value of these funds was approximately $90.1 million and $96.9 million, respectively, and associated unfunded commitments were $14.6 million and $19.7 million, respectively.

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

As of 31 December 2012, we have committed $125 million and funded $21.7 million to the NB Alternatives Direct Co-investment Program and committed $50 million and funded $7.5 million to the NB Healthcare Credit Investment Program. These programs will not result in any duplicative Neuberger Berman investment management fees and carry charged to NBPE.

Note 4 – Fair Value of Financial Instruments

We categorize our investments and other financial instruments as follows based on inputs to valuation techniques.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The following tables detail the Company's financial assets and liabilities that were accounted for at fair value as of 31 December 2012 and 2011 by level. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets (Liabilities) Accounted for at Fair Value			
As of 31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Private equity investments	$ 3,054,372	$ -	$ 560,959,104	$ 564,013,476
Forward foreign exchange contract	-	-	(156,114)	(156,114)
Totals	**$ 3,054,372**	**$ -**	**$ 560,802,990**	**$ 563,857,362**
As of 31 December 2011				
Private equity investments	$ 3,509,338	$ -	$ 534,884,179	$ 538,393,517
Forward foreign exchange contract	-	-	(2,569,077)	(2,569,077)
Totals	**$ 3,509,338**	**$ -**	**$ 532,315,102**	**$ 535,824,440**

The Company has assessed its positions and concluded that all of its private equity investments are classified as level 3 with the exception of one publicly traded co-investment classified as level 1 as of 31 December 2012 and 2011.

One co-investment was transferred from level 3 to level 1 during 2011 as a result of the completion of an initial public offering in 2011 and the resulting availability of quoted prices in active markets for those securities. There were no transfers between level 1 and level 2 during the years ended 31 December 2012 and 2011. The Company accounts for transfers at the end of the reporting period in which such transfers occur.

The following table summarizes the changes in the fair value of the Company's level 3 private equity investments for the year ended 31 December 2012.

(dollars in thousands)

	For the Year Ended 31 December 2012							
	Large-cap Buyout	**Mid-cap Buyout**	**Special Situations**	**Growth/ Venture**	**Diversified**	**Secondary Purchases**	**Direct Yielding**	**Private Equity Investments**
Balance, 31 December 2011	$ 79,072	$ 172,386	$ 170,526	$ 28,265	$ 35,952	$ 15,648	$ 33,035	$ 534,884
Purchases of investments and/or contributions to investments	6,495	25,686	5,684	6,993	1,401	568	60,228	107,055
Realized gain (loss) on investments	4,350	11,176	10,260	3,551	3,420	1,738	1,212	35,707
Changes in unrealized appreciation (depreciation) of investments still held at the reporting date	9,615	(9,832)	14,850	803	(682)	(290)	803	15,267
Changes in unrealized appreciation (depreciation) of investments sold during the year	-	-	-	-	-	-	-	-
Distributions from investments	(8,378)	(21,546)	(69,384)	(7,519)	(9,351)	(3,353)	(12,423)	(131,954)
Balance, 31 December 2012	**$ 91,154**	**$ 177,870**	**$ 131,936**	**$ 32,093**	**$ 30,740**	**$ 14,311**	**$ 82,855**	**$ 560,959**
Balance, 31 December 2012 through fund investments	$ 45,613	$ 98,768	$ 130,155	$ 30,992	$ 30,740	$ 14,311	$ -	$ 350,579

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

(dollars in thousands)

	For the Year Ended 31 December 2011							
	Large-cap Buyout	**Mid-cap Buyout**	**Special Situations**	**Growth/ Venture**	**Diversified**	**Secondary Purchases**	**Direct Yielding**	**Private Equity Investments**
Balance, 31 December 2010	$ 137,043	$ 183,922	$ 176,154	$ 27,656	$ 36,478	$ 6,676	$ 23,510	$ 591,439
Purchases of investments and/or contributions to investments	21,310	9,883	22,008	5,968	2,349	7,979	13,388	82,885
Realized gain (loss) on investments	(5,405)	22,624	25,126	4,249	1,233	718	1,188	49,733
Changes in unrealized appreciation (depreciation) of investments still held at the reporting date	(4,416)	(1,557)	(16,937)	(1,408)	2,762	1,324	1,281	(18,951)
Changes in unrealized appreciation (depreciation) of investments sold during the year	10,159	-	-	-	-	-	-	10,159
Distributions from investments	(75,619)	(42,486)	(35,825)	(8,200)	(6,870)	(1,049)	(6,332)	(176,381)
Transfers in and/or (out) of level 3	(4,000)	-	-	-	-	-	-	(4,000)
Balance, 31 December 2011	**$ 79,072**	**$ 172,386**	**$ 170,526**	**$ 28,265**	**$ 35,952**	**$ 15,648**	**$ 33,035**	**$ 534,884**

The following table summarizes the valuation methodologies and inputs used for private equity investments categorized in level 3 as of 31 December 2012.

(dollars in thousands) Private Equity Investments	Fair Value 31 Dec. 2012	Valuation Methodologies	Unobservable Inputs[1]	Ranges (Weighted Average) [2]	Impact to Valuation from an Increase in Input [3]
Fund investments	$ 350,579	See note 2	Net Asset Value	N/A	N/A
Direct co-investments - equity					
Large-cap Buyout	45,541	Market Comparable Companies	LTM EBITDA	7.0x-11.7x (8.3x)	Increase
Mid-cap Buyout	79,102	Market Comparable Companies	LTM EBITDA	4.9x-12.7x (8.7x)	Increase
		Market Comparable Companies	Book Value	1.0x-1.5x	Increase
		Market Comparable Companies	$/kW	$465	Increase
		Residual Value	Escrow	70%	Increase
		Market Approach	Liquidity Discount	10%	Decrease
		Other	Book Value	1.0x	Increase
Special Situations	1,781	Market Comparable Companies	LTM EBITDA	4.2x	Increase
Growth/ Venture	1,100	Market Comparable Companies	LTM Revenue	1.6x	Increase
Direct co-investments - direct yielding	82,856	Market Comparable Companies	LTM EBITDA	6.6x-10.2x (8.6x)	Increase
		Market Comparable Companies	YTM IRR	10%	Increase
		Market Yield Analysis	Discount Rate	13%	Decrease
		Market Yield Analysis	YTM IRR	10%-14%	Increase
		Discounted Cash Flow	Discount Rate	10.9%-13.0% (12.4%)	Decrease
		Black Scholes Model	Risk Free Rate	1.8%-2.0%	Increase
		Black Scholes Model	Average Volatility	62.1%-66.9%	Increase
		Black Scholes Model	Liquidity Discount	25%-51.2%	Decrease
		Other	Book Value	1.0x	Increase
Total	$ 560,959				

(1) LTM means Last Twelve Months, EBITDA means Earnings Before Interest Taxes Depreciation and Amortization, YTM IRR means Yield To Maturity Internal Rate of Return.

(2) Inputs weighted based on fair value of investments in range.

(3) Unless otherwise noted, this column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

Since 31 December 2011, there have been no changes in valuation methodologies within level 2 and level 3 that have had a material impact on the valuation of financial instruments.

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

Our special situations investments include hedge funds valued at approximately $20.5 million and $45.5 million at 31 December 2012 and 2011 respectively. As of 31 December 2012, one hedge fund amounting to $0.9 million is redeemable quarterly with a 60 day advance notice. Another hedge fund amounting to $19.7 million is not redeemable for the first two to three years following investment, and has rolling two year lock-up periods thereafter. Hedge funds generally have a right to restrict redemptions in order to avoid a forced sale of underlying assets.

Note 5 – Credit Facility

A subsidiary of the Company previously entered into an agreement with Lloyds Banking Group (Bank of Scotland) regarding a senior secured revolving credit facility (the "Original Facility") of up to $250 million due to expire in August 2014. The agreement was amended on 12 December 2012 to provide for a revised senior secured revolving credit facility (the "2012 Facility") of up to $200 million that expires in April 2017. At 31 December 2012 and 2011, there were no amounts outstanding. Substantially all assets are pledged pursuant to the following:

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

Under both the 2012 Facility and the Original 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, both the 2012 Facility and the Original Facility limit the incurrence of additional indebtedness, investments, dividends, transactions with affiliates, asset sales, acquisitions, mergers, repurchase of shares, liens or other matters customarily restricted in such agreements. The zero dividend preference shares (note 6) and the forward foreign exchange contract (note 7) are compliant with the credit facility agreements. At 31 December 2012 and 2011, the Company met all requirements under the 2012 Facility and the Original Facility, respectively.

Under the 2012 Facility, all borrowings bear interest tiered based on loan value. For a loan value less than or equal to $65 million, the interest rate is calculated as LIBOR or Euribor, as appropriate, plus 2.80% per annum. For a loan value in excess of $65 million and less than or equal to $150 million, the interest rate is calculated as LIBOR or Euribor, as appropriate, plus 3.30% per annum. For a loan value greater than $150 million, the interest rate is calculated as LIBOR or Euribor, as appropriate, plus 3.65% per annum. Under the Original Facility, all borrowings bear interest at a floating rate, calculated as LIBOR or Euribor, as appropriate, plus 1.35% per annum.

In addition, under the 2012 Facility, we are required to pay a commitment fee calculated as 80 basis points per annum on the daily balance of the unused facility amount. Under the Original Facility we are required to pay a commitment fee calculated as 40 basis points per annum on the daily balance of the unused facility amount.

For the year ended 31 December 2012, we incurred and expensed $0 for interest and $1,047,806 for commitment fees related to both the 2012 Facility and the Original Facility. For the year ended 31 December 2011, we incurred and expensed $25,481 for interest and $1,007,778 for commitment fees related to the Original Facility. As of 31 December 2012 and 2011, unamortized capitalized debt issuance costs (included in other assets) were $2,340,514 and $1,000,706 respectively. For the year ended 31 December 2012, capitalized amounts are being amortized on a straight-line basis over the term of the 2012 Facility. For the year ended 31 December 2011, capitalized amounts are being amortized on a straight-line basis over the term of the Original Facility. Such amortization amounted to $405,568 and $397,019 for the years ended 31 December 2012 and 2011, respectively.

An active market for debt that is similar to that of either the 2012 Facility or the Original Facility does not exist. Management estimates the fair value of the 2012 Facility and the Original Facility based on comparison to debt instruments with comparable characteristics. Management has estimated that the fair values of the 2012 Facility and the Original Facility, based on the balance outstanding, are approximately $0 and $0 at 31 December 2012 and 2011 respectively.

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Note 6 – Zero Dividend Preference Shares

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

The following table reconciles the liability for ZDP shares for the years ended 31 December 2012 and 2011.

Zero dividend preference shares	Pounds Sterling	U.S. Dollars
Liability, 31 December 2010	£ 35,724,298	$ 55,726,333
Accrued interest	2,602,071	4,085,080
Unamortized premium	(9,742)	(15,216)
Currency conversion	-	(244,495)
Liability, 31 December 2011	£ 38,316,627	$ 59,551,702
Accrued interest	2,800,061	4,420,882
Premium amortization	(11,652)	(19,027)
Currency conversion	-	2,829,794
Liability, 31 December 2012	£ 41,105,036	$ 66,783,351

Capitalized offering costs are being amortized using the effective interest rate method. The unamortized balance at 31 December 2012 and 2011 is $1,210,031 and $1,480,969, respectively.

Note 7 – Forward Foreign Exchange Contract

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

The contract provides that we will purchase £40,000,000 on 17 May 2017 for $64,820,000 from the Lloyds Banking Group (Bank of Scotland). The contract further provides that the security interests granted to the bank under the credit facility as described in note 5 also apply to any amounts we may owe the bank pursuant to this contract. As of 31 December 2012 and 2011, the fair value of the forward foreign exchange contract was a liability of $156,114 and $2,569,077 included in accrued expenses and other liabilities in the Consolidated Balance Sheets. The change in unrealized gain/(loss) on the Forward Foreign Exchange Contract for the years ended 31 December 2012 and 2011 is $2,412,963 and ($20,575), respectively. Actual trade prices or firm bids may vary significantly from the valuation because of factors including hedging and transaction costs, credit considerations, bid-ask spreads, position size and market liquidity.

Note 8 – Income Taxes

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

	31 December 2012	31 December 2011
Current tax expense	$ 1,438,454	$ 2,664,705
Deferred tax expense (benefit)	(57,306)	(770,236)
Total tax expense (benefit)	$ 1,381,148	$ 1,894,469

	31 December 2012	31 December 2011
Gross deferred tax assets	$ 3,397,066	$ 1,184,461
Valuation allowance	(3,036,897)	(930,229)
Net deferred tax assets	360,169	254,232
Gross deferred tax liabilities	2,086,066	2,037,435
Net deferred tax liabilities	**$ 1,725,897**	**$ 1,783,203**

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

The Company has no gross unrecognized tax benefits. The Company has been audited by the IRS for the tax year ended 30 November 2007; the audit resulted in no change to the tax the Company reported. The years subsequent to 2007 remain subject to examination.

Note 9 – Earnings (Loss) per Share

The computations for earnings (loss) per share for the years ended 31 December 2012 and 2011 are as follows:

	For the Years Ended 31 December	
	2012	2011
Net increase (decrease) in net assets resulting from operations attributable to the controlling interest	$ 36,115,960	$ 27,727,768
Divided by weighted average shares outstanding for Class A and Class B shares of the controlling interest	49,004,162	50,092,462
Earnings (loss) per share for Class A and Class B shares of the controlling interest	**$ 0.74**	**$ 0.55**

Note 10 – Treasury Stock

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

On 22 October 2010, we launched a new Share Buy-Back Programme in order to begin implementing the Capital Return Policy. The Share Buy-Back Programme, which commenced in October 2010, is the subject of periodic review by the Board. The Board of Directors has approved an extension of the Share Buyback Program from 28 February 2013 to 31 May 2013. Under the terms of the Share Buy-back Programme, Jefferies International Limited ("JIL") has been appointed to effect on-market repurchases of Shares on behalf of NBPE on Euronext Amsterdam and/or the Specialist Fund Market of the London Stock Exchange. Shares bought back under the Share Buy-Back Programme will be cancelled.

The aggregate number of class A ordinary shares which may be repurchased pursuant to the Share Buy-back Agreement is limited to 6,776,250 shares (being 12.5 per cent of the total number of class A ordinary shares outstanding as of 21 October 2010, the day before the Share Buy-back Programme commenced). The Company may increase such maximum, subject to any limits to the authority granted to the Company by its shareholders to effect share repurchases. The Company currently has shareholder authority to repurchase shares in the market, the aggregate value of which may be up to 14.99 percent of its net asset value on 1 January in the relevant year in which the buyback is made. The maximum price which may be paid for a class A ordinary share is an amount equal to the higher of (i) the price of the last independent trade and (ii) the highest current independent bid, in each case, with respect to the class A ordinary shares on the relevant exchange (being the Specialist Fund Market of the London Stock Exchange or Euronext Amsterdam by NYSE Euronext).

The following table summarizes the Company's shares at 31 December 2012 and 2011.

	31 December 2012	31 December 2011
Class A shares outstanding	48,790,564	49,345,169
Class B shares outstanding	10,000	10,000
	48,800,564	49,355,169
Class A shares held in treasury - number of shares	3,150,408	3,150,408
Class A shares held in treasury - cost	$ 9,248,460	$ 9,248,460
Class A shares repurchased and cancelled - number of shares	2,269,028	1,714,423
Class A shares repurchased and cancelled - cost	$ 16,523,000	$ 12,595,743

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Note 11 – Financial Highlights

The following ratios with respect to the Class A shares have been computed for the years ended 31 December 2012 and 2011:

Per share operating performance (based on average shares outstanding during the year)		**2012**		**2011**
Beginning net asset value	$	11.03	$	10.38
Stock repurchased and cancelled		0.05		0.10
Net increase in net assets resulting from operations:				
Net investment income (loss)		(0.22)		(0.20)
Net realized and unrealized gain (loss)		0.95		0.75
Ending net asset value	**$**	**11.81**	**$**	**11.03**

Total return (based on change in net asset value per share)	**2012**	**2011**
Total return before carried interest	7.71%	6.26%
Carried interest	(0.64%)	-
Total return after carried interest	**7.07%**	**6.26%**

Net investment income (loss) and expense ratios (based on weighted average net assets)	**2012**	**2011**
Net investment income (loss)	(1.96%)	(1.86%)
Expense ratios:		
Expenses before interest and carried interest	2.93%	2.94%
Interest expense	-	-
Carried interest	0.57%	-
Total	**3.50%**	**2.94%**

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

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Note 12 – Commitments and Contingencies

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

Note 13 – Subsequent Events

The Board of Directors of the Company declared on 22 January 2013 a dividend payment and paid $0.20 on each ordinary share on 28 February 2013 with dividend record date on 1 February 2013.

There have been no other subsequent events through 11 March 2013, the date the consolidated financial statements were issued, that requires recognition or disclosure in the consolidated financial statements.