

We have read and analysed in details the "Report of the Alternative Investment Expert Group - Developing European Private Equity" and, apart from the description of the Private Equity industry and activity which depicts properly and accurately the European PE industry and the role assumed in the European economy, we would like to highlight the following comments:

\* Considering the increasing cross-border activity of PE players in Europe, it should be noted that the fiscal and legal European frameworks are very fragmented by country to country. As such not only the execution and structure of cross-border PE transactions is rather complex, time consuming and implying high costs; but also the fund structuring activity is strongly influenced by the local\ tax framework.

As mentioned in the report there is a risk that local advisors of a fund are regarded as a permanent establishment for tax purposes. The taxation of capital gains earned by the investor in its home country will avoid this risk and will grant more transparency to the PE funds.

\* As far as the implementation of IFRS is concerned, a special attention should be paid to the PE Industry. Actually IFRS require consolidated accounts to be prepared by the fund including the portfolio companies as if the fund was acting as a holding company of a group. In reality each single company owned by a PE fund represents an investment with different strategy, management and valuation. Most of the portfolio cross-border investments already prepare if and when necessary consolidated financial statements ( most of cross-border are represented by groups ), but consolidated accounts prepared by the fund including all the portfolio companies could be misleading and providing wrong information to the investors.

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