LB Investments (UK) Limited

Report and Financial Statements

30 November 2013

Registered No: 04385280

Registered No: 04385280

Directors
D J Ehrmann
J S Keen

Secretary
Puxon Murray LLP

Auditors
Mazars LLP
Tower Bridge House
St. Katharine's Way
London E1W 1DD

Registered Office
c/o Puxon Murray LLP
One King Street
London
EC2V 8AU

Directors' report

The directors present their report and financial statements for the year ended 30 November 2013.

Principal activities

LB Investments (UK) Limited (the "Company") invested in subsidiary undertakings. These subsidiary undertakings do not have a continuing trade and they did not enter into any new activities in the current or previous year.

Results and dividends

The profit for the year after taxation of $1,131,665 (2012: profit of $1,689,365) has been transferred to reserves. The directors do not recommend the payment of a dividend.

Review of Business and Future Developments

The Company did not enter into any new activities in the current or previous years.

The Company is funded by US dollar variable rate borrowings. The Company therefore has exposure to interest rate risk.

On 15 September 2008, the Company's ultimate parent, Lehman Brothers Holdings Inc. ("LBHI") filed for insolvency in the United States under Chapter 11 of the U.S. Bankruptcy code.

On 6 December 2011, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") confirmed the modified Third Amended Joint Chapter 11 Plan for Lehman Brothers Holdings Inc. and it's Affiliated Debtors (the "Plan") and on 6 March 2012, the "Effective Date" (as defined in the Plan) occurred. As a result of the effectiveness of the Plan, LBHI and its Affiliated Debtors ("Other Debtors", those entities which also filed for Chapter 11 protection in the Bankruptcy Court) have emerged from bankruptcy. Pursuant to the Plan, LBHI, Other Debtors, and those entities directly or indirectly controlled by LBHI and Other Debtors (collectively, "Debtor-controlled entities") continue to liquidate their assets and have been and will continue to make distributions to creditors. For the avoidance of doubt, the term "Debtor-controlled entities" excludes those entities under separate administrations in the United States or abroad, including Lehman Brothers Inc. and Lehman Brothers International (Europe).

The wind-down process (1) is expected to take considerable effort and time and will differ in both approach and timing for each subsidiary depending on its specific circumstances including such activities as the timing of collections from subsidiaries that are now under separate administrations and the resolution or assumption of claim liabilities, and (2) will ultimately result in the Company being dissolved or sold in the future subject to regulatory requirements. Given this position, these financial statements have not been prepared on a going-concern basis. The impact of this is discussed in note 1 of the financial statements.

The Company has stated its balance sheet on the basis on which it believes its assets and liabilities will be realised. The Company retains the matured preference shares it holds in its subsidiaries LB Alpha Finance Cayman Limited ("Alpha") and LB Beta Finance Cayman Limited ("Beta").

The redemption value of these preference shares is greater than the projected amounts the Company owes to these subsidiaries and the Company intends it will enter into arrangements with its subsidiaries to net these amounts in an efficient and mutually beneficial manner.

The Alpha preference shares matured in April 2012 while the Beta preference shares matured in July 2012. At the date of this report no decision had been taken to net the matured preference shares against the Company's liability to the relevant subsidiary.

There is a possibility that former affiliates may submit claims against the Company and its subsidiaries. The directors consider any possible claim as being without substance.

Directors' report

Review of Business and Future Developments (continued)

The Company has continued to receive from LBHI distributions under the agreed Plan. On 5 April, 2013, LBHI made its third distribution under the agreed Plan and allocated a distribution of $530,464 to the Company. On 2 October, 2013, LBHI made its fourth distribution under the agreed Plan and allocated a distribution of $629,293 to the Company.

The directors believe none of the distributions allocated to the Company are due. The directors plan to refund all overpayments once a strategy for closing the Company and the subsidiaries, Alpha and Beta has been formulated and agreed.

Post Balance Sheet Events

On 2 April, 2014, LBHI made its fifth distribution under the agreed Plan and allocated a distribution of $683,278 to the Company.

The directors believe none of the distributions allocated to the Company are due. The directors plan to refund all overpayments once a strategy for closing the Company and the subsidiaries, Alpha and Beta has been formulated and agreed.

Directors

The directors of the Company during the year ended 30 November 2013 and at the date of this report, unless otherwise indicated, were:

D J Ehrmann
J S Keen

Disclosure of information to the auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Directors Indemnity Insurance

Liability & indemnity insurance for the directors and officers of LB Investments (UK) Ltd was maintained throughout the year. The liability and indemnity insurance held by the Company's ultimate parent, Lehman Brothers Holdings Inc. was still in place at the date of signing this report.

Directors' report

Auditors

The auditors, Mazars LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board on 4|9|2014

John Keen
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 2006. 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.

Independent auditors report

to the member of LB Investments (UK) Limited

We have audited the financial statements of LB Investments (UK) Limited for the year ended 30 November 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Councils web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors report

to the member of LB Investments (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Metcalfe (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Date 4/9/2014

Profit and loss account

for the year ended 30 November 2013

	Notes	2013 $	2012 $
Administrative expenses	2	(76,463)	(192,022)
Operating (charges)/gains	3	(1,202,164)	2,565,900
Interest receivable	4	-	2,205
Write-offs and provisions	5	(1,469,739)	-
Interest payable and similar charges	6	(731,400)	(889,055)
(Loss)/profit on ordinary activities before taxation		(3,479,766)	1,487,028
Tax on ordinary activities	7	4,611,431	202,337
Profit for the financial year		1,131,665	1,689,365

All trading activities have been discontinued.

There are no recognised gains and losses in the year other than the profit as set out above.

The accompanying notes on pages 10 to 16 are an integral part of the annual accounts.

Balance sheet

at 30 November 2013

	Notes	2013 $	2012 $
Current assets			
Investment in ordinary shares	8	12,000	12,000
Investment in preference shares	8	395,951,370	395,951,370
Debtors: amounts receivable in one year	9	1,195,216	2,220,385
Cash at hand		21,650,395	-
Total current assets		418,808,981	398,183,755
Creditors: amounts falling due within one year	10	(408,498,163)	(389,004,602)
Net Assets		10,310,818	9,179,153
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	10,310,817	9,179,152
Equity Shareholder's Funds	12	10,310,818	9,179,153

The accompanying notes on pages 10 to 16 are an integral part of the annual accounts.

Approved on behalf of the board

John Keen

Director

Date 4/9/2014

Notes to the financial statements

at 30 November 2013

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention with applicable accounting standards.

The accounts present information for the Company as an individual entity and not about its group. Group financial statements have not been prepared as the Company is a subsidiary of Lehman Brothers UK Investments Limited registered in England and Wales which prepares group financial statements.

Going Concern

On 15 September 2008, the Company's ultimate parent LBHI, filed for protection under Chapter 11 of the U.S. Bankruptcy code.

On March 6, 2012, LBHI exited the United States Chapter 11 insolvency protection.

The directors have considered the Plan referred to in the Directors' report. Pursuant to the Plan, LBHI and those entities that are directly or indirectly controlled by LBHI (including the Company) are in the process of liquidating their assets and settling their outstanding obligations and claims liabilities. The wind-down process (1) is expected to take considerable effort and time and will differ in both approach and timing for each subsidiary depending on its specific circumstances including such activities as the timing of collections from subsidiaries that are now under separate administrations and the resolution or assumption of claim liabilities, and (2) will ultimately result in the Company being dissolved or sold in the future subject to regulatory requirements. Given this position, these financial statements have not been prepared on a going-concern basis.

Investments are classified as current assets investments and all material, post balance sheet movements have been included in the current years accounts. Estimated costs of closure had been accrued for in the accounts, year ending 30 November 2011 of the immediate parent Company.

Functional currency

The Company's functional currency is US dollars as the directors consider this to be the most appropriate currency for the Company.

Investments in subsidiary undertakings

The Company states all investments at historic cost, on the basis that the redemptions are set at the exchange rate prevailing on the date of issuance. The Company held its investment in the preference shares issued by Alpha and Beta to their maturity. Further details are contained in note 8.

Statement of cash flows

The directors have taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (revised) from producing a cash flow statement.

Foreign currency translation

Current assets and current liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date. Such transactions in foreign currencies are translated into US dollars at the rate of exchange ruling at the end of the month in which the transaction occurs and any differences arising from this translation are taken to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences, at the rates of taxation anticipated to apply when these differences crystallise, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements.

Notes to the financial statements

at 30 November 2013

1. Accounting policies (continued)

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Debtors

Debtors are recorded at the nominal value. Provisions, on the principal and interest income thereon, are provided if, in the opinion of the managers, there is significant doubt on the recoverable value. Write-offs are recorded if, in the opinion of the directors, there is permanent impairment in value. Amounts receivable from companies in an insolvency process are fixed at the amount due on the date of insolvency.

Interest income and expenses

Income and expenses are recorded in the profit and loss account on an accruals basis. Interest income due on receivables from a company either currently or previously in an insolvency process have not been accrued from the date of commencement of that insolvency process ("pre-petition"). This does not apply to a balance, with such entities, that came into existence post its insolvency ("post-petition").

2. Administrative expenses

The administrative expenses represent costs incurred by the Company for, accounting and management services, annual audit and other regulatory filing requirements. In the current year, the Company has included a total charge of $34,284 (2012: $178,828) for such services provided by an affiliate in the current year. The charge included in the previous year is for the work undertaken to cover the financial years 2007 to 2012.

The fees payable to the Company's auditor for the audit of the Company's annual accounts is $31,658 (2012: $10,682).

The directors did not recommend the payment of a dividend (2012; $nil).

The directors did not receive any fee or any other emoluments for services to the Company during the year (2012: $nil).

The Company had no employees during the year (2012: nil).

3. Operating (charges)/gains

	2013	*2012*
	$	*$*
Foreign exchange (losses)/gains	(1,202,164)	2,565,900
	(1,202,164)	2,565,900

4. Interest receivable

	2013	*2012*
	$	*$*
Receivable from 314 Commonwealth Ave. Inc.	-	2,205

Interest receivable from 314 Commonwealth Ave. Inc. ("314C") had been provided for in full in the previous years (see note 6). In the current year, the provision was released and all interest has been written-off in full (see note 5).

Notes to the financial statements
at 30 November 2013

5. Write-offs and provisions

	2013	2012
	$	$
Release of provision	1,120,936	-
Write-off accrued interest	(95,603)	-
Provision for doubtful debt	(2,496,610)	-
Other gains	1,538	-
	(1,469,739)	-

6. *Interest payable and similar charges*

	2013	2012
	$	$
Interest payable to Alpha	272,316	329,723
Interest payable to Beta	430,506	521,262
Interest payable to Lehman Brothers Holding Inc.	28,578	35,865
Provision for doubtful debt, 314 Commonwealth Ave. Inc.	-	2,205
	731,400	889,055

In the current year, the provision shown against interest receivable from 314C was released and written-off in full (see note 5).

7. Tax on loss on ordinary activities

(a) Analysis of tax charge in the year

	2013	2012
	$	$
Current tax:		
Adjustments in respect of prior periods	4,611,431	202,337

(b) Factors affecting the tax credit for the year

The tax assessed for the year differs from the standard rate of current corporation tax in the UK of 23.667% (2012: 24.667%). The differences are explained below:

	2013	2012
	$	$
(Loss)/profit on ordinary activities before tax	(3,479,766)	1,487,028

Notes to the financial statements

at 30 November 2013

7. Tax on loss on ordinary activities (continued)

Profit on ordinary activities multiplied by the standard rate of corporation tax of 23.33% (2012: 24.67%)	(811,829)	366,801
Effects of:		
Expenses not deductible for tax purposes	343,225	544
Adjustments in respect of prior periods	(4,611,431)	(202,337)
Utilisation of tax losses	-	(369,345)
Tax losses carried forward not recognised	468,605	-
Tax credit for the year (note 7(a))	(4,611,431)	(202,337)

Losses of $11,114,063 resulting in a deferred tax asset of $2,222,813 have not been recognised. The deferred tax asset has not been recognised due to the uncertainty surrounding the Company's future profitability.

Finance act 2013 enacted reductions in the rate of UK corporation tax to 21% with effect from 1 April 2014 and to 20% from 1 April 2015.

In October 2012, the Company received $202,337, in relation to excess group losses surrendered in prior years (see note 9). This amount is included in the previous year's financial accounts.

8. Current asset investments

	2013	*2012*
	$	*$*
Ordinary Shares in Alpha	7,500	7,500
Ordinary Shares in Beta	4,500	4,500
Total Ordinary Share Holdings	12,000	12,000
Preference Shares in Alpha *(matured April 2012)*	153,421,295	153,421,295
Preference Shares in Beta *(matured July 2012)*	242,530,075	242,530,075
Total Preference Share Holdings	395,951,370	395,951,370
Total Current Investment at 30 November	395,963,370	395,963,370

The Company held to maturity all preference shares issued by both by its subsidiaries Alpha and Beta. The preference shares issued by Alpha matured on 10 April 2012 are redeemable at $153,421,295 and those issued by Beta matured on 19 July 2012 are redeemable at $242,530,075. The redemption balances are at the historic exchange rate on issuance. The preference shares of either subsidiary have not been redeemed to date. The Company intends to enter into arrangements with its subsidiaries to net these amounts in an efficient and mutually beneficial manner.

There was no dividend income accrued in the year to 30 November 2013 (2012:$nil).

Notes to the financial statements

at 30 November 2013

8. Current asset investments (continued)

The following information as at 30 November 2013 relates to the subsidiaries of LB Investments (UK) Limited, both of which are registered in the Cayman Islands.

Name of company	*Description of shares held by company*	*Proportion of nominal value and voting rights of shares held*	*Principal business*
LB Alpha Finance (Cayman) Limited	Ordinary	75%	Group Financing
	Preference *(matured)*	100%	
LB Beta Finance (Cayman) Limited	Ordinary	100%	Group Financing
	Preference *(matured)*	100%	

9. Debtors

	2013	*2012*
	$	*$*
Amounts owed by Lehman Brothers Holding Inc.	-	2,220,385
Amounts owed by 314 Commonwealth Ave. Inc.	3,691,826	1,120,936
Provision for doubtful debt, 314 Commonwealth Ave. Inc.	(2,496,610)	(1,120,936)
	1,195,216	2,220,385

During the years 2011 and 2012 LBHI received and held, on behalf of the Company, approximately $20million in relation to excess group losses surrendered in prior years. On July 10, 2013, the Company transferred $19,447,040 into an account opened with Agency Co. LLC("Agency"). As a result of this transfer the Company's balance with LBHI is now a net creditor (see note 10).

10. Creditors: amounts falling due within one year

	2013	*2012*
	$	*$*
Alpha	149,623,367	149,262,492
Beta	235,295,830	239,741,658
Lehman Brothers Holding Inc.	23,270,300	-
Lehman Brothers Luxembourg Investments S.a r.l.	472	452
Excess of tax payable for group relief	308,194	-
	408,498,163	389,004,602

In January 2007, the Company entered into two separate loan agreements with Alpha and Beta. The loans are repayable on demand. As at the year end, related accrued interest included in creditors falling due within one year was $35,497,592 (2012:$ 34,794,771).

Notes to the financial statements

at 30 November 2013

10. Creditors: amounts falling due within one year (continued)

On September 15, 2008, LBHI filed for protection under Chapter 11(see note 1) of the U.S. bankruptcy code. Consequently, all intercompany balances between the Company and LBHI at that date have been restated in USD using exchange rates in effect on the day. LBHI subsequent exit from Chapter 11 on March 6, 2012 does not have any impact on the restated balances.

Up to the end of financial year 2010, LBHI had been a creditor of the Company. During the years 2011 and 2012 LBHI received and held on behalf of the Company, funds of approximately $20million value creating a debtor relationship. During the current financial year, on July 10, 2013, the Company transferred exactly $19,447,040 held by LBHI to an account opened with Agency (see note 9). Secondly, a balance of $2,032,860 previously considered receivable from LBHI has been recognised by 314C as its liability to the Company. In addition to the above two transfers out of LBHI to other affiliates, cash receipts of $2,203,148 received into Agency for claims on LBHI (see Directors report) are currently considered fully repayable overpayments by LBHI and have been included as a liability to the Company's balance with LBHI. These and other minor reductions in receivables from LBHI have resulted in the balance, between the Company and LBHI at the financial year ending 30 November, 2013, becoming a net creditor.

As described in Note 8, the Company's holdings of redeemable preference shares in its subsidiaries Alpha and Beta matured in 2012. At 30 November 2013, the settlement position of all payables and receivables, including the matured preference shares, between the Company and Alpha and Beta is a net receivable by LB Investments (UK) Limited of $11,032,196 (2012: $6,947,220).

11. Share capital

	2013	*2012*
	$	*$*
Authorised:		
100 ordinary shares of $1 each	100	100
Allotted, called up and fully paid		
1 ordinary share of $1 each	1	1

12. Reconciliation of movement in shareholder's funds

	Share capital	*Retained losses*	*Total*
	$	*$*	*$*
Shareholder's funds at 30 November 2011	1	7,489,787	7,489,788
Profit for the year	–	1,689,365	1,689,365
Shareholder's funds at 30 November 2012	1	9,179,152	9,179,153
Profit for the year	–	1,131,665	1,131,665
Shareholder's funds at 30 November 2013	1	10,310,817	10,310,818

Notes to the financial statements

at 30 November 2013

13. *Related party transactions*

The Company has taken advantage of the exemption under FRS 8, Related Party Disclosures, not to disclose related party transactions between the Company and wholly-owned subsidiaries.

During the year, the Company recorded interest income of $nil (2012: $2,205) and expenses of $62,941 (2012: $216,898) with affiliated entities on unsecured intercompany balances.

The expenses comprise of transaction charges payable to Agency$80(2012: $nil), interest payable to LBHI of $28,578 (2012: $35,865) and accrued expenses also payable to LBHI for administrative services provided for in the financial year of $34,283 (2012: $178,828). The administrative charge for the previous year is for the work undertaken for the financial years 2007 to 2012.

14. Parent undertaking and controlling party

The immediate parent company of LB Investments (UK) Limited is Lehman Brothers UK Investment Limited.

The ultimate parent company of LB Investments (UK) Limited is Lehman Brothers Holdings Inc. which is incorporated in the State of Delaware in the United States of America.

The smallest and largest group in which the results of the Company are consolidated is that headed by Lehman Brothers UK Investment Limited. The consolidated accounts of this group are available to the public from the registered office, c/o Puxon Murray LLP, One King Street, London, EC2V 8AU.

15. Post balance sheet events

On 2 April, 2014, LBHI made its fourth distribution under the agreed Plan (see Note 1) and allocated a distribution of $629,293 to the Company.

The directors believe none of the distributions allocated to the Company are due. The directors plan to refund all overpayments.

Between December 2013 and June 2014 the Company received a total of $1,195,216 from 314C in continued settlements of the pre-petition receivable.