


CORFE INVESTMENTS (UK) LIMITED

Report and Financial Statements

For the year ended 26 September 2005

 ERNST & YOUNG

Corfe Investments (UK) Limited

Registered No. 04534208

DIRECTORS

P Sugarman
A J Rush
R S Brown

SECRETARY


M E Smith
E S Upton

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

REGISTERED OFFICE

25 Bank Street
London E14 5LE

 **ERNST & YOUNG**

Corfe Investments (UK) Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 26 September 2005.

RESULTS AND DIVIDENDS

The profit for the year after taxation of £3,860 (2004 : £5,779) has been transferred to reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to invest in assets with a view to medium and long term capital appreciation.

FUTURE DEVELOPMENTS

The directors expect no significant change in the business in future.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 26 September 2005 and at the date of this report, unless otherwise indicated, were:

P Sugarman

K Nicholson (resigned 26th January 2006)

R P Northam (resigned 12th September 2005)

A J Rush (appointed 26th January 2006)

R S Brown (appointed 26th January 2006)

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

Ernst & Young LLP will be re-appointed as the company's auditors in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985.

On behalf of the board



Director

26/07/06

Corfe Investments (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 MEMBERS OF CORFE INVESTMENTS (UK) LIMITED

We have audited the company's financial statements for the year ended 26 September 2005 which comprise the Profit and Loss Account and Balance Sheet, and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 26 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

26 July 2006

Corfe Investments (UK) Limited

PROFIT AND LOSS ACCOUNT

For the year ended 26 September 2005

	<i>Notes</i>	<i>2005</i> £	<i>2004</i> £
Interest receivable and similar charges	3	5,769	5,779
Administrative Expenses		(254)	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,515	5,779
Tax on profit on ordinary activities for the year	4	(1,655)	–
PROFIT FOR THE YEAR		3,860	5,779
RETAINED PROFIT FOR THE YEAR		3,860	5,779

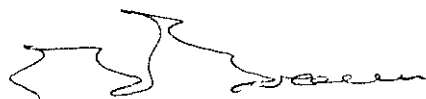
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,860 for the year ended 26 September 2005 and £5,779 for the year ended 26 September 2004.

Corfe Investments (UK) Limited

BALANCE SHEET at 26 September 2005

	Notes	2005 £	2004 £
CURRENT ASSETS			
Debtors	5	167,341	161,554
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	6	(1,927)	—
NET CURRENT ASSETS		165,414	161,554
TOTAL ASSETS LESS CURRENT LIABILITIES		165,414	161,554
CAPITAL AND RESERVES			
Called up share capital	7	150,000	150,000
Profit and loss account		15,414	11,554
		165,414	161,554



Director

26/07/06

Corfe Investments (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 26 September 2005

1. ACCOUNTING POLICIES

Basis of preparation

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

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

Repurchase and reverse repurchase agreements

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions and are stated at the amounts at which the securities will be subsequently resold or repurchased.

2. PROFIT AND LOSS ACCOUNT

All the company's operating income arises from continuing activities in group financing within the UK.

The audit fee is borne by a fellow subsidiary.

The directors did not receive any emoluments for services to the company during the period. The company had no employees during the period.

3. INTEREST RECEIVABLE AND SIMILAR CHARGES

	2005 £	2004 £
Group undertakings	5,769	5,779

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
Based on the profit for the year:		
UK Corporation Tax	1,655	-

Corfe Investments (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 September 2005

4. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2005 £	2004 £
Factors affecting the tax charge:		
<i>Profit on ordinary activities before tax</i>	5,515	5,779
UK Corporation tax at standard rate 30%	1,655	1,734
Effects of:		
Group relief surrendered for nil consideration	—	(1,734)
Current tax charge for the year	1,655	—

5. DEBTORS

	2005 £	2004 £
Amounts due from group undertakings	167,341	161,554
	167,341	161,554

6. CREDITORS:

	2005 £	2004 £
Amounts due to group undertakings	(272)	—
Corporation Tax	(1,655)	—
	(1,927)	—

7. SHARE CAPITAL

	2005 £	2004 £
Authorised:		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid:		
150,000 Ordinary shares of £1 each	150,000	150,000

Corfe Investments (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 September 2005

8. SHAREHOLDERS FUNDS

	2005	2004
	£	£
Opening shareholders' funds	161,554	155,775
Profit for the period	3,860	5,779
Closing shareholders' funds	<u>165,414</u>	<u>161,554</u>

9. POST BALANCE SHEET EVENTS

On 10th February 2006, Corfe Investments (UK) Limited purchased a note issued by an associated company for €270million. After entering into a swap, the interest receivable on the note and the net amounts payable on the swap equal 3m Euribor minus 12bps. . €250m of the purchase has been financed through a repurchase agreement with an associated company. The remaining €20million has been financed via funding from an associated company.

10. ULTIMATE PARENT COMPANY

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

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with related parties that are part of Lehman Brothers Holdings Inc.

The largest group in which the results of the company are consolidated is that headed by Lehman Brothers Holdings Inc. The smallest group in which they are consolidated is that headed by Lehman Brothers Spain Holdings Limited registered in England and Wales. The consolidated financial statements of these groups are available to the public from 745 Seventh Avenue, New York, USA and from 25 Bank Street, London, E14 5LE respectively.