

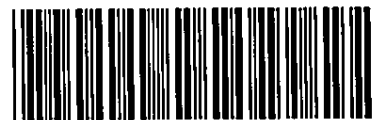
CORFE INVESTMENTS (UK) LIMITED

Report and Financial Statements

For the year ended 30 November 2006

Registered No 04534208

WEDNESDAY



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# Corfe Investments (UK) Limited

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Registered No 04534208

## **DIRECTORS**

P R Burke  
R S Brown  
A J Rush

## **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

# Corfe Investments (UK) Limited

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## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 November 2006

### RESULTS AND DIVIDENDS

The profit for the year after taxation of €39,663 (period 27 September 2005 to 30 November 2005 profit of €949) has been transferred to reserves. The directors did not recommend the payment of a dividend for the year (period 27 September 2005 to 30 November 2005 €nil)

### PRINCIPAL ACTIVITIES

The principal activity of the company is to invest in assets with a view to earning a return in excess of the company's funding costs

### REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Profit and Loss Account and Balance Sheet for the year is set out on page 7 and 8 respectively. Both the level of business during the year and the financial position at the end of the year were as expected and satisfactory.

The company's functional currency has been changed from Sterling to Euros as the directors consider this to be the most appropriate currency for the company's business.

On 15 December 2006, the board approved a dividend payment of €40,000 to LB Investments (UK) Limited, Corfe Investments (UK) Limited's direct parent company at that time. This was paid on 19 December 2006.

Events since the Balance Sheet date are set out in note 11.

### DIRECTORS

The directors of the company during the year to 30 November 2006 and at the date of this report, unless otherwise indicated, were

A J Rush (appointed 26 January 2006)  
R S Brown (appointed 26 January 2006)  
P R Burke (appointed 28 June 2007)  
P Sugarman (resigned 28 June 2007)  
K Nicholson (resigned 26 January 2006)

### DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

# Corfe Investments (UK) Limited

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## DIRECTORS' REPORT

### 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

A handwritten signature in black ink, appearing to be 'P. P.' followed by a long horizontal stroke.

Director

11 AUG 2008

## Corfe Investments (UK) Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing 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). The financial statements are required by law to 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 30 November 2006 which comprise the Profit and Loss Account and Balance Sheet, and the related notes 1 to 12. 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)****Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Ernst & Young LLP.*

Ernst & Young LLP  
Registered Auditor  
London

*12 Aug 2008*

# Corfe Investments (UK) Limited

## PROFIT AND LOSS ACCOUNT For the year ended 30 November 2006

			<i>Restated*</i>
			<i>27 Sep 2005</i>
			<i>to</i>
		<i>30 Nov 2006</i>	<i>30 Nov 2005</i>
		<i>€</i>	<i>€</i>
	<i>Notes</i>		
Administrative expenses		(282)	(150)
<b>OPERATING LOSS</b>	<b>2</b>	<b>(282)</b>	<b>(150)</b>
Interest receivable and similar income	3	39,069,240	1,507
Interest payable and similar charges	4	(39,012,297)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>56,661</b>	<b>1,357</b>
Tax on profit on ordinary activities for the year/period	5	(16,998)	(408)
<b>PROFIT FOR THE FINANCIAL YEAR /PERIOD</b>		<b>39,663</b>	<b>949</b>

All results are from continuing activities

There are no recognised gains or losses other than the profit attributable to shareholders of the company of €39,663 for the year ended 30 November 2006 and €949 for the period from 27 September 2005 to 30 November 2005

\*The comparatives for the accounting period 27 September 2005 to 30 November 2005 have been translated from Sterling to Euro. Please refer to Note 1 for an explanation of this translation



# Corfe Investments (UK) Limited

## BALANCE SHEET As at 30 November 2006

		30 Nov 2006	Restated* 30 Nov 2005
	Notes	€	€
<b>FIXED ASSETS</b>			
Investments	6	270,000,000	–
<b>CURRENT ASSETS</b>			
Debtors	7	7,236,349	245,801
<b>CURRENT LIABILITIES</b>			
Creditors amounts falling due within one year	8	(276,954,253)	(3,368)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(269,717,904)</u>	<u>242,433</u>
<b>NET ASSETS</b>		<u>282,096</u>	<u>242,433</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	239,430	239,430
Profit and loss account	10	42,666	3,003
<b>SHAREHOLDER'S FUNDS</b>	10	<u>282,096</u>	<u>242,433</u>

\*The comparatives for the accounting period 27 September 2005 to 30 November 2005 have been translated from Sterling to Euro. Please refer to Note 1 for an explanation of this translation.

These financial statements were approved by the board of the director on  
its behalf by

and signed on



11 AUG 2008

Director

The accompanying notes on page 9 to 13 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

**1 ACCOUNTING POLICIES**

***Basis of preparation***

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

***Repurchase and reverse repurchase agreements***

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

***Statement of cashflows***

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

***Related party transactions***

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

***Functional currency***

The company's functional and reporting currency has been changed from Sterling to the Euro. This decision was based on the fact that all current trades and resulting cash flows are in Euros and so the directors consider the Euro to be the most appropriate currency for the company's business

The previous period comparatives have been restated in Euros. All monetary assets and liabilities have been translated at the balance sheet date while the share capital has been translated at the rate on the date of issue. The Profit & Loss Account has been translated using the average rate for the period ended 30 November 2005. Any foreign exchange gains and losses as a result of the translation have been reflected in the Profit and Loss Reserve Account

***Foreign currency translation***

Assets and liabilities denominated in foreign currencies are translated into Euros at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Euros at the rate of exchange ruling at the end of the month in which the transaction occurs. Any differences arising from translation are taken to the Profit and Loss Account

***Fixed asset investment***

Fixed asset investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment would be made

***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

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

# Corfe Investments (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Deferred taxation(continued)*

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date

### 2. PROFIT AND LOSS ACCOUNT

The audit fee is borne by a fellow subsidiary as was the case for the prior period

The directors did not receive any emoluments for services to the company during the year (2005 - €nil)

The company had no employees during the year (2005 - none)

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	30 Nov 2006	<i>Restated</i> 27 Sep 2005 to 30 Nov2005
	€	€
Group undertakings	39,065,474	1,507
Foreign exchange gain	3,766	—
	<u>39,069,240</u>	<u>1,507</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	30 Nov 2006	<i>Restated</i> 27 Sep 2005 to 30 Nov2005
	€	€
Group undertakings	39,012,297	—
	<u>39,012,297</u>	<u>—</u>

# Corfe Investments (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	30 Nov 2006 €	<i>Restated</i> 27 Sep 2005 to 30 Nov 2005 €
Tax on profit on ordinary activities		
UK corporation Tax	16,998	408
Total current tax	<u>16,998</u>	<u>408</u>
The tax assessed on the profit on ordinary activities for the year is at the standard rate of corporation tax in the UK of 30% (2005 30%)		
Profit on ordinary activities before tax	<u>56,661</u>	<u>1,357</u>
UK corporation tax at standard rate of 30% (2005 30%)	16,998	408
Current tax charge for the year	<u>16,998</u>	<u>408</u>

#### Factors affecting future tax charges

The UK corporation tax rate has decreased from 30% to 28% from 1 April 2008. This rate will affect the amount of future cash payments made by the company.

### 6. FIXED ASSET INVESTMENT

Cost	€
As at 30 November 2005	—
Addition during the year	270,000,000
As at 30 November 2006	<u>270,000,000</u>

The balance as at 30 November 2006 represents the company's investment in a note issued by Alnwick Investments (UK) Limited, a company incorporated in England and Wales.

# Corfe Investments (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 7. DEBTORS

	30 Nov 2006	<i>Restated</i> 30 Nov 2005
	€	€
Amounts owed from group undertakings	7,236,349	245,801

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 Nov 2006	<i>Restated</i> 30 Nov 2005
	€	€
Amounts due to group undertakings	276,934,421	546
Corporation Tax	19,832	2,822
	<u>276,954,253</u>	<u>3,368</u>

### 9. SHARE CAPITAL

	30 Nov 2006	<i>Restated</i> 30 Nov 2005
	£	£
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u>€</u>	<u>€</u>
<b>Allotted, called up and fully paid:</b>		
150,000 Ordinary shares of £1 each	239,430	239,430

### 10. SHAREHOLDER'S FUNDS

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholder's funds</i>
	€	€	€
At 27 September 2005	239,430	22,614	262,044
Translation adjustment	-	(20,560)	(20,560)
Profit for the financial period	-	949	949
At 30 November 2005 (as restated)	<u>239,430</u>	<u>3,003</u>	<u>242,433</u>
Profit for the financial year	-	39,663	39,663
At 30 November 2006	<u>239,430</u>	<u>42,666</u>	<u>282,096</u>

NOTES TO THE FINANCIAL STATEMENTS

**11 POST BALANCE SHEET EVENTS**

On 15 December 2006, the board approved a dividend payment of €40,000 to LB Investments (UK) Limited, Corfe Investments (UK) Limited's direct parent company at that time. This was paid on 19 December 2006.

On 21 December 2006, the parent company, LB Investments (UK) Limited transferred its full investment of 150,000 ordinary shares of £1 each in Corfe Investments (UK) Limited to an associated company, 314 Commonwealth Ave Inc.

On 10 February 2006, an associated company Alnwick Investments (UK) Limited issued a note to Corfe Investments (UK) Limited for €270 million and entered into an interest rate swap. Corfe entered into a repurchase agreement with an associated company until 29 December 2006. On 29 December 2006, Corfe Investments (UK) Limited unwound the repurchase agreement with an associated company, however the note issued by Alnwick Investments (UK) Limited and the interest rate swap continue to be held.

From 1 January 2007, the structure of the group has been changed to one headed by Lehman Brothers Holdings Inc, which is incorporated in the State of Delaware in the United States of America and that the smallest group entity in which the results of the company will be consolidated is headed by 314 Commonwealth Ave Inc.

On 28 February 2008, Corfe Investments (UK) Limited contributed Japanese Yen 21,000 in exchange for interest in a Limited Liability Partnership, Babakoto Yen LLP formed under English Law for the purpose of entering into a long term transaction in Japanese Yen with entities within the Lehman Group.

**12 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 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.