

# **MBAM Investor Limited**

## **Report and financial statements**

**30 November 2006**

Registered No 5439993

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# MBAM Investor Limited

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Registered No 5439993

## **Directors**

A J Rush  
I M Jameson  
R E Parker

## **Secretary**

E Upton

## **Auditors**

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

## **Registered Office**

25 Bank Street  
London E14 5LE

## Directors' report

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

### Results

The profit for the year, after taxation, is £4,081,704 (2005 £2,073,687) The directors did not recommend the payment of a dividend during the year and none are proposed (2005 £Nil)

### Principal activities

The company has an investment in Marble Bar Asset Management LLP (MBAM LLP) and RAID Research Services LLP (RAID LLP) as a limited liability partner MBAM LLP and RAID LLP are limited liability partnerships incorporated in England and Wales, whose principal activities are the provision of alternative investment management and research services

### Review of Business and Future developments

During the year, the company exchanged its 10% revenue share by paying an additional contribution of £24 million for a 19.99% equity stake in MBAM LLP The company also acquired an equity stake of 1% in RAID LLP RAID LLP is a direct subsidiary of MBAM LLP

The directors have decided to sell their 19.99% equity stake in MBAM LLP and 1% equity stake in RAID LLP on 30 November 2007 The sale of the equity stake took place on 10 January 2008

### Directors

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

A J Rush

I M Jameson

M Jackson (resigned 12 May 2008)

R B Nagioff (resigned 22 February 2008)

R E Parker (appointed 12 May 2008)

### Post Balance Sheet Events

From 1 January 2007, the structure of the group has been changed so that the smallest group entity in which the results of the company will be consolidated is headed by Lehman Brothers Holdings Scottish Limited Partnership which is registered in Scotland

On 30 November 2007, Marble Bar Asset Management LLP had resolved to sell its business MBAM Investor Ltd having 19.99% equity stake in Marble Bar Asset Management LLP, would receive \$94,952,500 on completion of the sale of the 19.99% equity stake As part of the transaction, MBAM Investor Ltd also agreed to sell its equity stake in RAID Research Services LLP

On 10 January 2008, MBAM Investor Ltd received \$94,952,500 on completion of the sale of its interests in Marble Bar Asset Management LLP

The directors believe that the entity will continue to exist in the foreseeable future and may explore other available investment opportunities

### Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

## Directors' report (continued)

### 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

28 AUG 2008

## **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,
- 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 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 MBAM Investor Limited**

We have audited the company's financial statements for the year ended 30 November 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, 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**

**to the members of MBAM Investor Limited**

### **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

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

Ernst & Young LLP  
Registered Auditor  
London  
28 August 2008

## Profit and Loss Account

for the year ended 30 November 2006

		Year ended 30 Nov 2006	Period from 2 Feb 2005 to 30 Nov 2005
	Notes	£	£
Investment income	3	5,567,498	2,820,274
<b>Operating profit</b>		<b>5,567,498</b>	<b>2,820,274</b>
Interest receivable	4	133,575	36,878
Net foreign exchange gain		164,590	73,681
Administrative expenses		(3,080)	–
<b>Profit on ordinary activities before taxation for the year/period</b>		<b>5,862,583</b>	<b>2,930,833</b>
Taxation for the year/period	5	(1,780,879)	(857,146)
<b>Retained profit for the financial year/period</b>		<b>4,081,704</b>	<b>2,073,687</b>

The profit for the year/period is in respect of continuing operations



## Statement of Total Recognised Gains and Losses

for the year ended 30 November 2006

		<i>Year ended</i> 30 Nov 2006	<i>Period from</i> 2 Feb 2005 to 30 Nov 2005
	<i>Notes</i>	£	£
Profit attributable to shareholders of the company		4,081,704	2,073,687
Unrealised gain on revaluation of fixed asset investment	6	11,275,171	—
Total gains recognised in the year/period		<u>15,356,875</u>	<u>2,073,687</u>

## Balance sheet

as at 30 November 2006

	Notes	30 Nov 2006 £	30 Nov 2005 £
<b>Fixed assets</b>			
Investments	6	46,168,937	10,765,714
<b>Current assets</b>			
Debtors amounts falling due within one year	7	2,478,584	4,730,974
<b>Current liabilities</b>			
Creditors amounts falling due within one year	8	(18,651,104)	(857,146)
<b>Net current (liabilities) /assets</b>		<u>(16,172,520)</u>	<u>3,873,828</u>
<b>Total assets less current liabilities</b>		<u>29,996,417</u>	<u>14,639,542</u>
<b>Capital and reserves</b>			
Called up share capital	9	994,889	994,889
Share premium account	10	11,570,966	11,570,966
Other Reserves	10	11,275,171	—
Profit and loss account	10	<u>6,155,391</u>	<u>2,073,687</u>
<b>Shareholder's funds</b>		<u>29,996,417</u>	<u>14,639,542</u>

Director



Date

28 AUG 2008

## Notes to the financial statements

as at 30 November 2006

### 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

#### Investment Income

The Company accounts for investment income on an accruals basis

#### Fixed asset investments

Investments are stated at historic cost unless, in the opinion of the directors there has been a permanent diminution in value in which case an appropriate adjustment is made

Any permanent diminution in the carrying value of the investment as compared to historical cost is charged to the profit and loss account

For investments denominated in currencies other than the functional currency of the company, historical cost is determined with reference to the historical exchange rate at acquisition

Any unrealised revaluation gains/losses arising from the change in ownership from a revenue share to an equity stake in the partnership is recognised in the Statement of Total Recognised Gains and Losses in accordance with UITF31

#### 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

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

#### Foreign currency translation

Foreign currency assets and liabilities are translated into sterling at rates of exchange ruling at the balance sheet date. Differences arising from translation of fixed asset investments are charged or credited to the profit and loss account. Any other differences arising from translation and conversion are dealt with in the profit and loss account. Transactions during the year expressed in foreign currencies are converted into sterling at the month-end rates of exchange for the month in which they occur

## Notes to the financial statements

as at 30 November 2006

### 2. Profit and loss account

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 Nil)

The audit fee is borne by a fellow subsidiary undertaking in the current year and prior period

### 3. Investment income

	30 Nov 2006	<i>Period from 2 Feb 2005 to 30 Nov 2005</i>
	£	£
Income received from MBAM LLP	5,567,498	2,820,274
	<u>5,567,498</u>	<u>2,820,274</u>

### 4. Interest receivable

	30 Nov 2006	<i>Period from 2 Feb 2005 to 30 Nov 2005</i>
	£	£
Interest receivable from immediate parent	53,875	4,156
Interest receivable from other group undertakings	79,700	32,722
	<u>133,575</u>	<u>36,878</u>

### 5. Tax on profit on ordinary activities

Analysis of charge in the year/period

	30 Nov 2006	<i>Period from 2 Feb 2005 to 30 Nov 2005</i>
	£	£
<b>(a) Tax on profit on ordinary activities</b>		
UK Corporation tax on profits of the year/period	1,910,737	857,146
Prior year adjustment	251,103	—
Total Current tax	<u>2,161,840</u>	<u>857,146</u>
Deferred Tax		
- Current year	(151,962)	—
- Prior year	(228,999)	—
	<u>(380,961)</u>	<u>—</u>
Total charge	<u>1,780,879</u>	<u>857,146</u>

## Notes to the financial statements

as at 30 November 2006

### 5. Tax on profit on ordinary activities (continued)

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the current year differs from the standard rate of corporation tax in the UK of 30% (2005-30%) The differences for 2006 are reconciled below

	2006 £	2005 £
Profit on ordinary activities before tax	5,862,583	2,930,833
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005-30%)	1,758,775	879,250
Permanent differences	-	(22,104)
Timing differences	151,962	-
Prior period adjustment	251,103	-
Current tax charge for the year/period	<u>2,161,840</u>	<u>857,146</u>

#### (c) Factors affecting future tax charges

The UK corporation tax rate will decrease 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 investments

#### Investment

	30 Nov 2006 £	30 Nov 2005 £
Carrying value at the beginning of the year/period	10,765,714	-
Additions at cost	24,128,052	10,765,714
Revaluation	11,275,171	-
Carrying value at the end of the year/period	<u>46,168,937</u>	<u>10,765,714</u>

Fixed asset investments comprise the company's investment in MBAM LLP and RAID Research Services LLP (RAID LLP) During the year, the company exchanged its 10% revenue share by paying additional consideration of £24.1 million for a 19.99% equity stake in MBAM LLP The company also acquired an equity stake of 1% in RAID Research Services LLP (RAID LLP) RAID LLP is a direct subsidiary of MBAM LLP The existing 10% revenue share was revalued upwards by £11.3 million

In the opinion of the directors, the aggregate value of the fixed asset investments is not less than the amount at which they are stated in the financial statements

No provision has been made for deferred tax on gains recognised on revaluations of fixed asset investments taken through reserves Such gains may become taxable only if these investments were sold At present it is not envisaged that any tax will become payable in the foreseeable future as losses are available in the group to shelter these gains

## Notes to the financial statements

as at 30 November 2006

### 6. Fixed asset investments (continued)

#### Investment

<i>Name of LLP</i>	<i>Country of Incorporation</i>	<i>Equity stake ownership and voting rights percentage in LLP</i>	<i>Principal Business</i>
MBAM LLP	United Kingdom	19.99%	Asset Management
Raid Research Services LLP	United Kingdom	1%	Asset Management

### 7. Debtors: amounts falling due within one year

	<i>30 Nov 2006</i>	<i>30 Nov 2005</i>
	<i>£</i>	<i>£</i>
Amounts due from immediate parent	–	2,488,322
Amounts due from other group undertakings	1,418,620	1,832,821
Amounts due from MBAM LLP	679,003	409,831
Deferred Tax (note 5a)	380,961	–
	<u>2,478,584</u>	<u>4,730,974</u>

### 8 Creditors: amounts falling due within one year

	<i>30 Nov 2006</i>	<i>30 Nov 2005</i>
	<i>£</i>	<i>£</i>
Amounts due to immediate parent	15,629,039	–
Amounts due to other group undertakings	3,079	–
Corporation Tax payable	3,018,986	857,146
	<u>18,651,104</u>	<u>857,146</u>

## Notes to the financial statements

as at 30 November 2006

### 9. Share capital

	30 Nov 2006 £	30 Nov 2005 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

	30 Nov 2006 £	30 Nov 2005 £
<i>Allotted, called up and fully paid</i>		
994,889 ordinary redeemable shares of £1 each	994,889	994,889
	994,889	994,889

### 10. Reconciliation of movement in shareholders' funds

	<i>Ordinary share capital</i> £	<i>Share Premium</i> £	<i>Other Reserves</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 30 November 2005	994,889	11,570,966	–	2,073,687	14,639,542
Revaluation of investment	–	–	11,275,171	–	11,275,171
Profit for the year	–	–	–	4,081,704	4,081,704
At 30 November 2006	994,889	11,570,966	11,275,171	6,155,391	29,996,417

### 11. Ultimate parent company

The ultimate parent company of MBAM Investor 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 Ltd. The consolidated accounts of Lehman Brothers Holdings Inc and Lehman Brothers Spain Holdings Ltd are available to the public from 745 7th Avenue, New York, USA and from 25 Bank Street, London, respectively

## Notes to the financial statements

as at 30 November 2006

### 12. Post Balance Sheet Events

From 1 January 2007, the structure of the group has been changed so that the smallest group entity in which the results of the company will be consolidated is headed by Lehman Brothers Holdings Scottish Limited Partnership which is registered in Scotland

On 30 November 2007, Marble Bar Asset Management LLP had resolved to sell its business. MBAM Investor Ltd having a 19.99% equity stake in Marble Bar Asset Management LLP would receive \$94,952,500 on completion of the sale of the 19.99% equity stake. As part of the transaction, MBAM Investor Ltd also agreed to sell its 1% equity stake in RAID Research Services LLP.

On 10 January 2008, MBAM Investor Ltd received \$94,952,500 on completion of the sale of its 19.99% equity stake in Marble Bar Asset Management LLP and 1% equity stake in RAID Research Services LLP.

The directors believe that the entity will continue to exist in the foreseeable future and may explore other available investment opportunities.