

**MBAM Investor Limited**

**Report and financial statements**

**30 November 2007**

Registered No: 5349993

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MBAM Investor Limited

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Registered No: 5439993

**Directors**

A Brereton  
R Harper

**Secretary**

E Upton

**Auditors**

Mercer & Hole  
76 Shoe Lane  
London EC4A 3JB

**Registered Office**

25 Bank Street  
London E14 5LE

## Directors' report

The directors present their report and financial statements for the year ended 30 November 2007.

### Results

The profit for the year, after taxation, is £13,572,356 (2006: £4,081,704). The directors did not recommend the payment of a dividend during the year and none are proposed (2006:£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

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

It is currently expected to keep the Company dormant until a potential earn out related to sale of the 19.99% equity stake in MBAM LLP becomes payable in 2010.

### Directors

The directors of the company during the year ended 30 November 2007 and at the date of this report, unless otherwise indicated, were:

A J Rush	(resigned 17 July 2009)
I M Jameson	(resigned 17 July 2009)
M Jackson	(resigned 5 May 2008)
R B Nagioff	(resigned 22 February 2008)
R E Parker	(appointed 12 May 2008, resigned 23 October 2008)
A Brereton	(appointed 17 December 2009)
R Harper	(appointed 17 December 2009)

### Post Balance Sheet Events

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

On 15 September 2008 Lehman Brothers Holdings Inc. filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York.

Lehman Brothers Holdings PLC went into administration on 15 September 2008.

### 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.

### Auditors

Ernst & Young LLP resigned as the company's auditors. Mercer & Hole were appointed as the company's auditors on 19 October 2009.

  
On behalf of the board

Director: R. Harper

20 JAN 2010

## **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 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cashflow Statement and the related notes 1 to 15. 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 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 2007 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.

## **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a significant loss in the subsequent financial year as a result of provisions against debtors which has contributed to a net liability position for the company. These conditions together with the matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

*Mercer & Hole* 27 January 2010

Mercer & Hole  
Registered Auditor  
London

## Profit and Loss Account

for the year ended 30 November 2007

		2007	2006
	Notes	£	£
Investment income	3	12,850,217	5,567,498
Operating profit		12,850,217	5,567,498
Interest receivable	4	1,156,561	133,575
Interest payable	5	(1,533,200)	-
Net foreign exchange gain		1,409,535	164,590
Administrative expenses		(8,415)	(3,080)
<b>Profit on ordinary activities before taxation for the year</b>		<b>13,874,698</b>	<b>5,862,583</b>
Provision against group undertakings debtors		(302,342)	-
<b>Profit on ordinary activities after provision Before taxation for the year</b>		<b>13,572,356</b>	<b>5,862,583</b>
Taxation for the year	6	-	(1,780,879)
<b>Retained profit for the financial year</b>		<b>13,572,356</b>	<b>4,081,704</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 2007**

		2007	2006
	Notes	£	£
Profit attributable to shareholders of the company		13,572,356	4,081,704
Unrealised gain on revaluation of fixed asset investment	7	-	11,275,171
Total gains recognised in the year		<u>13,572,356</u>	<u>15,356,875</u>



## Balance sheet

as at 30 November 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	7	46,443,396	46,168,937
<b>Current assets</b>			
Debtors	8	1,025,543	2,478,584
Creditors: amounts falling due within one year	9	(3,900,166)	(18,651,104)
<b>Net current liabilities</b>		(2,874,623)	(16,172,520)
<b>Total assets less current liabilities</b>		<u>43,568,773</u>	<u>29,996,417</u>
<b>Capital and reserves</b>			
Called up share capital	10	994,889	994,889
Share premium account	11	11,570,966	11,570,966
Other Reserves	11	11,275,171	11,275,171
Profit and loss account	11	<u>19,727,747</u>	<u>6,155,391</u>
<b>Shareholder's funds</b>	11	<u>43,568,773</u>	<u>29,996,417</u>

Approved by the board on 20.01.2010 and signed on its behalf by:

Director: R. Harper



Date 20.01.2010

## **Cashflow Statement**

**for the year ended at 30 November 2007**

There were no cash movements in the year. Non cashflow movements are shown in Note 11.

## Notes to the financial statements

as at 30 November 2007

### 1. Accounting policies

#### Basis of preparation

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

#### Going Concern

The accounts have been prepared on a going concern basis. The company incurred significant losses in the subsequent financial year. This and the factors discussed in the Directors' report regarding the administration of the parent company indicate a material uncertainty concerning the company's future. This may cast significant doubt on the company's ability to continue as a going concern.

#### 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 structure from a revenue share to an equity stake in the partnership, should be recognised in the Statement of Total Recognised Gains and Losses, under UITF31. An unrealised gain arises on the exchange because there is no gross cash flow.

#### 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 2007

### 2. Profit and loss account

The directors did not receive any emoluments for services to the company during the year (2006: Nil).

The company had no employees during the year (2006: Nil).

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

### 3. Investment income

	2007 £	2006 £
Income received from MBAM LLP	12,850,217	5,567,498
	<u>12,850,217</u>	<u>5,567,498</u>

### 4. Interest receivable

	2007 £	2006 £
Interest receivable from immediate parent	14,736	53,875
Interest receivable from other group undertakings	1,141,825	79,700
	<u>1,156,561</u>	<u>133,575</u>

### 5. Interest payable

	2007 £	2006 £
Interest payable to immediate parent	(1,378)	-
Interest payable to other group undertakings	(1,531,822)	-
	<u>(1,533,200)</u>	<u>-</u>

## Notes to the financial statements

as at 30 November 2007

### 6. Tax on profit on ordinary activities

#### Analysis of charge in the year

	2007 £	2006 £
<i>(a) Tax on profit on ordinary activities</i>		
UK Corporation tax on profits of the year	-	1,910,737
Prior year adjustment		251,103
Total Current tax	-	2,161,840
Deferred Tax		
- Current year	-	(151,962)
- Prior year	-	(228,999)
	-	(380,961)
Total charge	-	1,780,879

#### (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% (2006-30%). The differences for 2007 are reconciled below:

	2007 £	2006 £
Profit on ordinary activities before tax	13,572,356	5,862,583
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007-30%)	4,071,707	1,758,775
Prior period adjustment		151,962
Timing differences	90,703	251,103
Permanent differences	(231,989)	-
Group relief surrendered for nil consideration	(3,930,420)	-
Current tax charge for year/period	-	2,161,840

#### (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.

It should be noted that the decision as to whether group relief surrendered will be for nil consideration is yet to be made by the administrators. Until such decisions are made, we have disclosed group relief for nil consideration which is consistent with prior year accounts for Lehman entities.

## Notes to the financial statements

as at 30 November 2007

### 7. Fixed asset investments

#### Investment

	2007	2006
	£	£
Cost at the beginning of the year	46,168,937	10,765,714
Additions at cost	274,459	24,128,052
Revaluation	-	11,275,171
Cost at the end of the year	46,443,396	46,168,937

Fixed asset investments comprise the company's investment in MBAM LLP and RAID Research Services LLP (RAID LLP)

During the year, the company capitalised legal fees of £0.3m.

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.

<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

\* Held indirectly

### 8. Debtors

	2007	2006
	£	£
Amounts due from immediate parent	-	-
Amounts due from other group undertakings	2,379	1,418,620
Amounts due from MBAM LLP	642,203	679,003
Deferred Tax(note 5a)	380,961	380,961
	1,025,543	2,478,584

## Notes to the financial statements

as at 30 November 2007

### 9. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts due to immediate parent	-	15,629,039
Amounts due to other group undertakings	3,196,683	3,079
Corporation Tax payable	698,986	3,018,986
Other	4,497	-
	<u>3,900,166</u>	<u>18,651,104</u>

### 10. Share capital

	2007	2006
	£	£
<i>Authorised:</i>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

	2007	2006
	£	£
<i>Allotted, called up and fully paid:</i>		
994,889 ordinary redeemable shares of £1 each	<u>994,889</u>	<u>994,889</u>
	<u>994,889</u>	<u>994,889</u>

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

	Ordinary share capital	Share Premium	Other Reserves	Profit and loss account	Total
	£	£	£	£	£
At 30 November 2006	994,889	11,570,966	11,275,171	6,155,391	29,996,417
Revaluation of investment	-	-	-	-	-
Profit for the period	-	-	-	13,572,356	13,572,356
At 30 November 2007	<u>994,889</u>	<u>11,570,966</u>	<u>11,275,171</u>	<u>19,727,747</u>	<u>43,568,773</u>

## Notes to the financial statements

as at 30 November 2007

### 12. Cash flows from operating activities

	2007 £	2006 £
Reconciliation of operating profit to net cash flow from operating activities:		
Operating profit	12,850,217	5,567,498
Increase in fixed asset investments	(274,459)	(35,403,223)
Decrease in debtors	1,453,042	2,252,390
Increase / (Decrease) in creditors	(14,750,938)	17,793,958
Non cash flow movements	722,138	9,789,377
	<u>-</u>	<u>-</u>

### 13. Ultimate parent company

The immediate parent company is Lehman Brothers Holdings PLC, which went into administration on 15 September 2008.

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.

On 15 September 2008 Lehman Brothers Holdings Inc. filed a petition under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York.

### 14. Related party transactions

At the year end, the company owed a balance of £552,874 (US\$1,140,358) to Lehman Brothers Holdings Inc., a company related by way of common control. The movement in the loan account during the year was represented by net reallocations to the loan account of Lehman Brothers Holdings Plc of £15,893,734 (US\$31,064,801), cash distributions received on the company's behalf of £12,741,342 (US\$25,600,886), net intercompany interest charges of £347,524 (US\$685,184), foreign exchange movements of £1,517,831 (US\$2,221,807) and other movements of £13,107 (US\$26,310).

At the year end, the company owed a balance of £2,637,459 to Lehman Brothers Limited, a company related by way of common control. The movement in the loan account during the year was represented by corporation tax payments made on the company's behalf in the amount of £2,320,000, payment of fixed asset additions and other charges on the company's behalf for £274,987 and intercompany interest charges of £42,472.

At the year end, the company was owed a balance of £302,342 (US\$623,611) by the immediate parent company, Lehman Brothers Holdings Plc. The movement in the loan account during the year was represented by net reallocations from the loan account of Lehman Brothers Holdings Inc of £15,935,161 (US\$31,064,801), intercompany interest charges of £13,358 (US\$26,840) and other movements of £17,138. This balance has been provided against in full.

Other amounts owed by related parties totalled £6,350 at the year end.



## Notes to the financial statements

as at 30 November 2007

### 15. Post Balance Sheet Events

On the 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 majority of these funds received were loaned to Lehman Brothers Holdings Plc. Lehman Brothers Holdings Plc went into administration on 15 September 2008. Following this event, the directors have provided for this balance in the 2008 accounts giving a loss before tax for the year of £48,877,862.