

Burford (Fareham) Limited

Directors' report and financial statements

30 November 2003

Registered number 03841873



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Burford (Fareham) Limited

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Burford (Fareham) Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2003.

Principal activity

The principal activity of the company is property investment.

During the year the company completed on the disposal of the beneficial interest in its investment property and the legal title owned by Burford Fareham Nominee 1 Limited and Burford Fareham Nominee 2 Limited, which are both fellow subsidiary undertakings.

Results and dividends

The loss for the year of £3,270,000 (year ended Nov 2002: profit £5,667,000) has been transferred to reserves. No dividends were paid during the year (year ended Nov 2002: £nil).

Directors and directors' interests

The directors who held office throughout the year and subsequently were as follows:

J Gleek

R J Anderson

P Nicholson

Appointed 03 December 2002

Resigned 05 December 2002

None of the directors had any interest in the share capital of the company.

The directors' interest in the shares of an intermediate holding company, Thayer Properties Limited, are disclosed in the accounts of that company.

By Order of the Board



P Nicholson

Secretary

20 Thayer Street
London
W1U 2DD

13 August 2004

Burford (Fareham) Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The above statement should be read in conjunction with the statement of auditors' responsibilities set out in the audit report on page 3.

kpmg

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Burford (Fareham) Limited

We have audited the financial statements on pages 4 to 13.

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 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

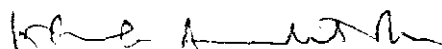
Basis of audit opinion

We conducted our audit in accordance with 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 the company's affairs as at 30 November 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

13 August 2004

Burford (Fareham) Limited

Profit and loss account

for the year ended 30 November 2003

	Note	Year ended 30 Nov 2003 £000	Year ended 30 Nov 2002 £000
Turnover	1	279	6,355
Cost of sales		49	(1,257)
Gross profit		328	5,098
Interest receivable and similar income	4	24	283
Interest payable and similar charges	5	(3,466)	(4,881)
Investment property sales	6	(156)	5,313
(Loss)/profit on ordinary activities before taxation	2	(3,270)	5,813
Tax charge on profit on ordinary activities	7	-	(146)
Retained (loss)/profit for the year	14	(3,270)	5,667

All activities are continuing.

There are no recognised gains or losses other than those reported above.

Burford (Fareham) Limited

Investment property surplus statement

for the year ended 30 November 2003

	Year ended 30 Nov 2003 £000	Year ended 30 Nov 2002 £000
Unrealised deficit on revaluation of investment properties	-	-
Net unrealised investment property deficit	-	-
Deficit on revaluation realised on sale of investment property	-	(2,947)
Net realised investment property deficit	-	(2,947)

Note of historical cost profits and losses

for the year ended 30 November 2003

	Year Ended 30 Nov 2003 £000	Year ended 30 Nov 2002 £000
Reported (loss)/profit on ordinary activities before taxation	(3,270)	5,813
Realisation of property revaluation deficit net of attributable tax	-	(2,947)
Historical cost (loss)/profit on ordinary activities before taxation	(3,270)	2,947
Historic cost (loss)/profit for the year retained after tax and dividend	(3,270)	2,801

Burford (Fareham) Limited

Balance sheet

at 30 November 2003

	Note	30 Nov 2003 £000	30 Nov 2002 £000
Fixed assets			
Investments	8	-	-
		-	-
Debtors: amounts falling due after more than one year	9a	8,810	-
Debtors: amounts falling due within one year	9b	2	78,123
Cash at bank and in hand		-	2,463
Creditors: amounts falling due within one year	10	(1,341)	(4,142)
Net current assets		7,471	76,444
Total assets less current liabilities		7,471	76,444
Creditors: amounts falling due after more than one year	11	-	(68,006)
Provisions for liabilities and charges	12	(2,303)	-
Net assets		5,168	8,438
Capital and reserves			
Called up share capital	13	4,000	4,000
Revaluation reserve		-	-
Profit and loss account	14	1,168	4,438
Equity shareholders' funds	15	5,168	8,438

These financial statements were approved by the board of directors on 13 August 2004 and were signed on its behalf by:

J Gleek
Director



Burford (Fareham) Limited

Notes to the Accounts

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards.

Cash flow statement

The cash flow statement included in the consolidated financial statements of an intermediate holding company, Burford Holdings Limited, complies with the conditions of Financial Reporting Standard No. 1 (Revised 1996) 'Cash Flow Statements' (FRS1). The company therefore is exempt under FRS1 from the requirement to prepare a separate cash flow statement.

Related party transactions

As more than 90% of the company's voting rights are controlled within the Lehman Brothers Group, it has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances which form part of the group (or investees of the group qualifying as related parties).

Consolidation exemption

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents rent receivable during the year (excluding value added tax).

Recognition of profits

Purchases and sales of investment properties are accounted for on exchange of unconditional contracts.

Investment properties

Investment properties are included in balance sheet at their open market value at the balance sheet date on the basis of a professional valuation. Aggregate surpluses or deficits arising on valuation are transferred to a revaluation reserve. Permanent diminution in the value of investment properties to below their carrying values are charged directly to the profit and loss account. Additions include only costs of a capital nature and certain refurbishment expenditure. Costs such as interest and other property outgoing are treated as revenue expenditure and written off as incurred.

Burford (Fareham) Limited

Notes continued

1. Accounting policies continued

In accordance with SSAP 19 (as amended) no depreciation or amortisation is provided in respect of freehold and leasehold investment properties. This treatment, as regards certain of the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, the properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the valuation, and the amount which, might otherwise have been shown cannot be separately identified or quantified.

Deferred taxation

Deferred taxation is provided under the liability method in respect of the taxation effect of all timing differences which have arisen but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future except as otherwise required by FRS19. Deferred tax is not recognised when fixed assets are revalued unless there is a binding agreement to sell the revalued assets. Deferred tax is measured on a non-discounted basis.

2. Profit on ordinary activities before taxation

The auditors' remuneration has been borne by a fellow subsidiary, Burford Group Limited.

3. Staff numbers and costs

Other than the directors, the company employed no staff during the current and preceding year. None of the directors received any remuneration during the current or preceding year.

4. Interest receivable and similar income

	Year ended 30 Nov 2003 £000	Year ended 30 Nov 2002 £000
Bank interest	24	283

Burford (Fareham) Limited

Notes continued

5. Interest payable and similar charges

	Year ended 30 Nov 2003 £000	Year ended 30 Nov 2002 £000
Interest payable on swap facility	1,163	1,012
Provision for costs of redeeming swap facility	2,303	-
Interest payable to other group companies	-	3,869
	<u>3,466</u>	<u>4,881</u>

6. Investment property sales

	Year ended 30 Nov 2003 £000	Year Ended 30 Nov 2002 £000
(Deficit)/surplus on sale of investment property	<u>(155)</u>	<u>5,313</u>

7. Taxation

	Year ended 30 Nov 2003 £000	Year Ended 30 Nov 2002 £000
UK corporation tax charge on results	<u>-</u>	<u>146</u>

The company has surrendered tax losses to other group companies, for no consideration, eliminating potential tax credits that could have arisen in the company.

Burford (Fareham) Limited

Notes continued

7. Taxation continued

Factors affecting the tax charge for the period

	Year ended 30 Nov 2003 £000	Year ended 30 Nov 2002 £000
(Loss)/Profit on ordinary activities before taxation	(3,270)	5,813
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(981)	1,744
<i>Effects of:</i>		
Expenses not deductible for tax purposes	55	(1,526)
Losses surrendered to other group companies	926	-
Capital allowances for the period	-	(72)
	-	146

8. Investments

	Investment in subsidiaries £
At 1 December 2002 and 30 November 2003	2

Burford (Fareham) Limited

Notes continued

9. (a) Debtors: amounts falling due after more than one year

	30 Nov 2003 £000	30 Nov 2002 £000
Amounts owed by group undertakings	<u>8,810</u>	<u>-</u>

9. (b) Debtors: amounts falling due within one year

	30 Nov 2003 £000	30 Nov 2002 £000
Trade debtors	-	78,101
Prepayments and accrued income	<u>2</u>	<u>22</u>
	<u>2</u>	<u>78,123</u>

10. Creditors: amounts falling due within one year

	30 Nov 2003 £000	30 Nov 2002 £000
Trade creditors	40	142
Other creditors including taxation and social security	12	270
Corporation tax	713	713
Accruals and deferred income	<u>579</u>	<u>3,017</u>
	<u>1,341</u>	<u>4,142</u>

11. Creditors: amounts falling due after more than one year

	30 Nov 2003 £000	30 Nov 2002 £000
Amounts owed to group undertakings	<u>-</u>	<u>68,006</u>

Burford (Fareham) Limited

Notes continued

12. Provisions for liabilities and charges

	Onerous contract provision 30 Nov 2003 £
At beginning of the year	-
Charge to the profit and loss account for the year	2,303
At the end of the year	<u>2,303</u>

On the company repaid its bank loan. The interest rate swap that acted as a hedge to that bank loan was not broken and remained outstanding at 30 November 2003. Chatham Financial valued the swap at 30 November 2003 and, being a liability has been recognised as an onerous contract.

13. Called up share capital

	30 Nov 2003 £	30 Nov 2002 £
Authorised		
4,000,100 Ordinary shares of £1 each	<u>4,000,100</u>	<u>4,000,100</u>
Allotted, called up and fully paid		
4,000,001 Ordinary shares of £1 each	<u>4,000,001</u>	<u>4,000,001</u>

14. Reserves

	Profit and Loss Account £000
At 1 December 2002	4,438
Retained loss for the year	<u>(3,270)</u>
At 30 November 2003	<u>1,168</u>

Burford (Fareham) Limited

Notes continued

15. Reconciliation of movements in shareholders' funds

	30 Nov 2003 £000	30 Nov 2002 £000
Retained (loss)/profit for the financial year	(3,270)	5,667
Net (decrease)/increase in shareholders' funds	(3,270)	5,667
Opening shareholders' funds	8,438	2,771
Closing shareholders' funds	5,168	8,438

16. Ultimate holding company

The company's ultimate holding company is Lehman Brothers Holdings Inc., a company incorporated in the state of Delaware in the USA.

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 Burford Holdings Limited, a company registered in England and Wales.

The consolidated accounts of these companies are available to the public from 745, Seventh Avenue, New York, USA and from 25 Bank Street, London respectively.