



**Final report to members & creditors**

**23 December 2014**

<b>Company</b>	<b>LB SF No.1</b>		
<b>Registered Number</b>	06001928		
<b>Registered address</b>	Level 23 25 Canada Square London E14 5LP		
<b>Type of Insolvency</b>	Creditors' Voluntary Liquidation		
<b>Date of Appointments: Prior Administration:</b>	2 October 2008		
<b>Liquidation:</b>	3 October 2013		
<b>Appointees: Former Administrators:</b>	AV Lomas SA Pearson DA Howell GE Bruce JG Parr		
<b>Liquidators:</b>	DA Howell AV Lomas MJA Jervis		
<b>Address</b>	7 More London Riverside London SE1 2RT		
<b>Dividends</b>		<b>Final p in £</b>	<b>Previous estimate p in £</b>
	Unsecured	100p/£ plus statutory interest	

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# ***LB SF No. 1 - in Creditors' Voluntary Liquidation***

Joint Liquidators' final report to  
members and creditors

23 December 2014



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# 1. Joint Liquidators' final report to members and creditors

## Introduction

On 3 October 2013, DA Howell, AV Lomas and MJA Jervis were appointed Joint Liquidators of LB SF No.1 (**"the Company"** or **"LBSF"**), having previously acted as Joint Administrators of the Company.

This is the Joint Liquidators' final report to members and all known creditors.

## Background

Creditors will recall that the Company held a number of investments in subsidiary companies. These companies own a variety of performing, sub-performing and non-performing mortgage and other loan portfolios, and were funded through intercompany loans from LBSF.

## Asset Realisations

The following assets were realised during the course of the Liquidation:

### Cash balances

Surplus funds equivalent to £356.2m were released to the Joint Liquidators (**"the Liquidators"**) on completion of the Administration.

### Intercompany balances

LBSF held a number of outstanding debtor balances due from insolvent Lehman group companies:

Lehman Commercial Mortgage Conduit Limited (**"LCMC"**) was a subsidiary of LBSF, and owned a portfolio of loans, which were purchased from Northern Rock with funding from the Company.

LBSF's claim against LCMC was admitted for £239,928,051. A second interim dividend of

£69.7m (29.05p/£) was received in September 2014 and a third interim dividend of c.£11.1m (4.63p/£) was received in December 2014.

Cherry Tree Mortgages Limited (**"Cherry Tree"**) was a subsidiary of LBSF, and owned a portfolio of equity release mortgages purchased from More 2 Life Limited, utilising funding made available by LBSF. LBSF's claim against Cherry Tree was admitted for £25,248,531. A second interim dividend of £10.1m (40p/£) was received in September 2014.

Zestdew Limited (**"Zestdew"**) was a subsidiary of LBSF and owned a portfolio of re-performing consumer debt. LBSF's claim against Zestdew was admitted for £13,841,647. In the Administration, LBSF received £242,229 (1.75p/£) in respect of its claim. A second interim dividend of £1.99m (14.4p/£) was received in December 2014.

The intercompany balances due from LCMC, Cherry Tree and Zestdew were transferred to the Company's shareholder, LB UK Financing Limited (**"LBUKF"**), by way of a distribution in specie on 19 December 2014. Accordingly, the Company will receive no further realisations in respect of these assets.

Further detail relating to the transfer of these assets, and earlier distributions in specie, is provided in the Shareholder Distributions section of this report.

### Sale of tax losses

In the course of the Liquidation, the Company has sold tax losses totalling £213k. No further realisations are anticipated.

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## *Assets still to be realised*

Following the distribution in specie of the Company's intercompany debtor balances, LB SF No.1 has no further assets to realise and, aside from closure procedures and payment of final bills, all matters in the Liquidation have been dealt with.

## *Receipts and Payments Account*

An account of the Liquidators' receipts and payments for LBSF is shown in Section 2 of this report.

As at 19 December 2014, the Company held funds of £69.1m. These funds will be utilised to meet the final expenses of the Liquidation in priority to the final shareholder distribution being made to LBUKF.

## *Investigations*

Creditors are reminded that the Liquidators have a statutory obligation to consider the directors' conduct and to submit a return/report to the Insolvency Service. The Liquidators can confirm that they have complied with this requirement.

## *Professional advisers*

In the course of the Liquidation, the Liquidators retained the following professional advisers instructed in the preceding Administrations:

- Linklaters LLP ("Linklaters"), solicitors; and
- Dentons UKMEA LLP ("Dentons"), solicitors.

The Liquidators' choice was based upon their perception of the advisers' experience and ability to perform this type of work, their knowledge of the issues arising and nature of the assignment and the basis of the fee arrangement with them. The Liquidators have reviewed the fees charged and are satisfied that they are reasonable in the circumstances of this case.

The amount paid in respect of legal fees is stated in the receipts and payments account in Section 2.

## *Outcome for Creditors*

On 24 June 2013, the Court gave the former Joint Administrators of LBSF permission to make distributions to its unsecured non-preferential creditors. On 16 September 2013, the former Administrators declared and paid a dividend of 100p/£, plus statutory interest to those unsecured non-preferential creditors whose claims had been admitted.

It was agreed that the dividend in respect of Lehman Brothers Special Financing Inc.'s ("LBSFI") admitted claim would be paid once the Company had been placed into Liquidation. A dividend of £1.5m (100p/£ plus statutory interest) was paid to LBSFI on 15 January 2014.

## *Shareholder Distributions*

Having paid its sole remaining creditor in full, plus statutory interest, LBSF has subsequently paid a number of cash distributions and distributions in specie to its parent, LBUKF.

## *Distributions in specie*

On 4 February 2014, LBSF made a distribution in specie to LBUKF, comprising the assignment of the intercompany debtor balances due to LBSF from Stepstone Mortgage Funding Limited ("Stepstone") and SM Funding No.1 Limited with an aggregate value of €208m.

Stepstone is an Irish mortgage lender which has continued to trade with a view to enhancing the overall recoveries of its loans. No recoveries had been received by LBSF prior to the assignment.

In September 2014, LBSF's claim against Lehman Brothers Holdings, Inc ("LBHI") was assigned to LBUKF. This transaction is described in further detail in the Netting Agreement section of this report.

On 19 December 2014, a further distribution in specie was made to LBUKF in respect of the intercompany balances due from LCMC, Cherry Tree and Zestdew.

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## *Cash distributions*

In March 2014, LBSF made a first cash distribution of \$143m to LBUKF. In September 2014, LBSF made two further cash distributions of £274m and £10m, respectively.

A further cash distribution of c.£69m will be made to LBUKF following payment of the final expenses of the Liquidation.

## *Netting Agreement*

Until recently, LBSF had an admitted claim for c\$2.87bn in the estate of LBHI. In turn, LBHI has an admitted claim of c.\$3.76bn in the Administration of LBUKF. This gave rise to a circularity of cash flow ‘round tripping’, whereby cash received by LBSF from LBHI was paid to LBUKF by way of a shareholder distribution and ultimately returned to LBHI as the sole creditor of LBUKF.

In September 2014, the Liquidators assigned LBSF’s claim against LBHI to LBUKF. The Joint Administrators of LBUKF then entered into a Netting Agreement which provides a mechanism for preventing the round tripping of future distributions from LBHI.

## *Pension Liability*

As recently reported, following a settlement agreement with the pension scheme trustees and all other potential FSD targets, which became effective on 18 August 2014, LBSF no longer has a potential liability to the pension scheme and accordingly it has been possible to release its reserve against a possible liability to the Lehman Brothers Pension Scheme under a Financial Support Direction.

As part of the settlement, the Company has contributed to certain legal costs of the pension scheme trustees and the Pensions Regulator. The Company has not contributed to the cost of funding pension benefits under the settlement, which is being discharged by other Lehman companies.

## *Tax matters*

All tax matters have been dealt with. Tax clearance has been received from HM Revenues and Customs which has confirmed there are no unsecured tax liabilities and no amounts of tax payable as expenses of the Liquidation or Administration.

The Company is unable to recover VAT.

## *Liquidators’ Remuneration*

At a creditors’ meeting held on 8 January 2014, it was resolved that the Liquidators’ remuneration be fixed by reference to the time properly given by them and their staff in attending matters arising in the winding up.

The Liquidators also sought and received consent from the sole remaining creditor of LBSF to draw remuneration of £77,876 plus VAT in respect of time costs incurred by the Liquidators and their staff for the period from the date of their appointment to 31 October 2013.

The Liquidators have drawn remuneration of £875,149 plus VAT in respect of the time costs incurred in the period to 30 September 2014.

Attached at Section 3 of this report, is a summary of the Liquidators’ time costs for the period 1 October 2014 to 30 November 2014, and for the cumulative period of the Liquidation, presented in accordance with Statement of Insolvency Practice 9 (“SIP9”), together with a narrative of the work performed.

For the period of the Liquidation to 30 November 2014, time costs total £986,730 plus VAT, comprising 2,134 hours at an average hourly rate of £462. The Liquidators intend to draw final remuneration of £112,016 prior to closure.

Costs from 1 December 2014 will be borne by LBUKF, the shareholder and sole beneficiary of any surplus funds.

Creditors can access a copy of SIP9 at: <http://www.icaew.com/en/technical/insolvency/in-solvency-regulations-and-standards/statements-of-insolvency-practice-sips-england>.

## Creditors' rights

An explanatory note giving creditors a statement of their rights in relation to the Liquidators' remuneration and expenses, and their rights to request further information, can be found online at the following internet address.

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-to-liquidators-fees-england-and-wales-apr-10.pdf>

A copy (free of charge) is available on request from the Liquidators.

## Final meetings of members and creditors

The Liquidators are required to convene final meetings of the Company's members and creditors in accordance with Section 106 of the Insolvency Act 1986. Notice of these meetings is attached at Appendix A to this report, together with a proxy form.

The purpose of these meetings is to present this report and for creditors to consider the Liquidators' release. No formal resolutions will be put to the meetings, however creditors may propose a resolution against the Liquidators' release. In the absence of such a resolution, the Liquidators will automatically be released from any liabilities they may have incurred as Liquidators.

If any creditor wishes to attend the final meeting, please telephone Claire Taylor on 020 7804 6289 so that the appropriate arrangements can be made.

## Voting at the creditors' meeting

Should creditors propose a resolution against the Liquidators' release, the following paragraphs will apply:

- Votes at the meeting are based on the value of your debt as evidenced by a written statement of your claim.
- If you are not a limited company, you may vote if:

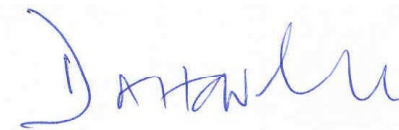
(a) you attend the meeting and have either submitted or bring with you a statement of your claim, or

(b) you do not attend the meeting but nominate someone else to attend on your behalf and return the proxy form by midday on the business day before the meeting. You can nominate the Chairman of the meeting to act as your proxy and vote in accordance with your wishes. You must submit a statement of claim either at or before the meeting.

- If you are a limited company, you must ensure that the enclosed proxy is received no later than midday on the business day before the meeting. It may be posted or sent by facsimile. You must also provide a written statement of claim.

If you require further explanation of any aspect of the Liquidators' report, please contact Claire Taylor on 020 7804 6289.

Signed:



DA Howell  
Joint Liquidator

*DA Howell, AV Lomas and MJA Jervis were appointed as Joint Liquidators of LB SF No.1. DA Howell, AV Lomas and MJA Jervis are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

*DA Howell, AV Lomas and MJA Jervis are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the liquidation.*

## 2. Receipts and Payments Accounts

### LB SF No.1 – GBP account

	Previously reported to 02-Oct-14 GBP	Transactions 2-Oct-14 to 19-Dec-14 GBP	Total to 19-Dec-14 GBP	Forecast 19-Dec-14 to completion GBP	Overall total to completion GBP
<b>Receipts</b>					
Release of funds from the Administrators	124,811,663	-	124,811,663	-	124,811,663
Distributions received	79,892,450	12,862,411	92,754,861	-	92,754,861
Sale of tax losses	-	213,363	213,363	-	213,363
Tax refund	-	150,632	150,632	-	150,632
Contribution to pension legal fees	-	695,029	695,029	136,767	831,796
Repayment of loans	21,058	-	21,058	-	21,058
Interest received gross	571,090	27,572	598,662	-	598,662
<b>Total Receipts</b>	<b>205,296,261</b>	<b>13,949,007</b>	<b>219,245,268</b>	<b>136,767</b>	<b>219,382,035</b>
<b>Payments</b>					
Legal fees and disbursements	1,245,869	-	1,245,869	7,245	1,253,114
Joint Liquidators' remuneration	827,365	47,784	875,149	112,016	987,165
Joint Liquidators' Category 1 disbursements	587	-	587	-	587
Contribution to employee costs for shared employee resources	128,127	43,827	171,954	69,908	241,862
Pension related legal costs	25,570	-	25,570	-	25,570
Accountants' fees	2,700	-	2,700	-	2,700
Statutory costs	1,720	-	1,720	75	1,795
Storage costs	-	-	-	21,000	21,000
Corporation tax payments	150,350	-	150,350	-	150,350
VAT payments	5,225	-	5,225	-	5,225
Irrecoverable VAT	409,605	9,557	419,162	28,052	447,214
<b>Total Payments</b>	<b>2,797,118</b>	<b>101,169</b>	<b>2,898,287</b>	<b>238,295</b>	<b>3,136,582</b>
<b>Intra-company transfers</b>					
Receipts	138,571,275	-	138,571,275	-	138,571,275
Payments	-	-	-	-	-
<b>Total receipts less total payments</b>	<b>341,070,418</b>	<b>13,847,838</b>	<b>354,918,256</b>	<b>(101,528)</b>	<b>354,816,728</b>
<b>Distributions</b>					
Distribution to LBSF Inc being 100p in the £ plus statutory interest held over from Administration	1,504,767	-	1,504,767	-	1,504,767
Cash distributions to Shareholder (see notes 1-3 below)	284,265,578	-	284,265,578	69,046,383	353,311,961
<b>Total distributions</b>	<b>285,770,345</b>	<b>-</b>	<b>285,770,345</b>	<b>69,046,383</b>	<b>354,816,728</b>
<b>Total receipts less total payments and distributions</b>	<b>55,300,073</b>	<b>13,847,838</b>	<b>69,147,911</b>	<b>(69,147,911)</b>	<b>-</b>
<b>Cash balances</b>					
HSBC (non-interest bearing)	470,763	21,803,234	22,273,997	(22,273,997)	-
Money markets (note 4)	54,829,310	(7,955,396)	46,873,914	(46,873,914)	-
<b>Total Cash</b>	<b>55,300,073</b>	<b>13,847,838</b>	<b>69,147,911</b>	<b>(69,147,911)</b>	<b>-</b>

- In February 2014, LBSF made a distribution in specie to its shareholder, LBUKF, comprising of an assignment of intercompany debtor balances of €10,537,696.61 plus accruing interest due from Stepstone and an assignment of intercompany debtor balances of €198,455,263.67 plus accruing interest due from SM Funding No.1 Limited.
- In December 2014, LBSF made a distribution in specie to LBUKF of its intercompany debtor balances due from LCMC, Cherry Tree and Zestdew.
- In September 2014, LBSF's claim against Lehman Brothers Holdings, Inc ("LBHI") was distributed in specie to LBUKF.
- Funds are invested on the money markets in order to accrue interest and manage risk.



## LB SF No.1 – USD account

	Previously reported to 02-Oct-14 USD	Transactions 2-Oct-14 to 19-Dec-14 USD	Total to 19-Dec-14 USD	Forecast 19-Dec-14 to completion USD	Overall total to completion USD
<b>Receipts</b>					
Release of funds from the Administrators	374,085,751	-	374,085,751	-	374,085,751
Distributions received	-	-	-	-	-
Sale of tax losses	-	-	-	-	-
Tax refund	-	-	-	-	-
Contribution to pension legal fees	-	-	-	-	-
Repayment of loans	-	-	-	-	-
Interest received gross	101,495	-	101,495	-	101,495
<b>Total Receipts</b>	<b>374,187,246</b>	<b>-</b>	<b>374,187,246</b>	<b>-</b>	<b>374,187,246</b>
<b>Payments</b>					
Legal fees and disbursements	-	-	-	-	-
Joint Liquidators' remuneration	-	-	-	-	-
Joint Liquidators' Category 1 disbursements	-	-	-	-	-
Contribution to employee costs for shared employee resources	-	-	-	-	-
Pension related legal costs	-	-	-	-	-
Accountants' fees	-	-	-	-	-
Statutory costs	-	-	-	-	-
Storage costs	-	-	-	-	-
Corporation tax payments	-	-	-	-	-
VAT payments	-	-	-	-	-
Irrecoverable VAT	-	-	-	-	-
<b>Total Payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intra-company transfers</b>					
Receipts	-	-	-	-	-
Payments	(230,263,888)	-	(230,263,888)	(10,429)	(230,274,317)
<b>Total receipts less total payments</b>	<b>143,923,358</b>	<b>-</b>	<b>143,923,358</b>	<b>(10,429)</b>	<b>143,912,929</b>
<b>Distributions</b>					
Distribution to LB SF Inc being 100p in the £ plus statutory interest held over from Administration	-	-	-	-	-
Cash distributions to Shareholder	143,912,929	-	143,912,929	-	143,912,929
<b>Total distributions</b>	<b>143,912,929</b>	<b>-</b>	<b>143,912,929</b>	<b>-</b>	<b>143,912,929</b>
<b>Total receipts less total payments and distributions</b>	<b>10,429</b>	<b>-</b>	<b>10,429</b>	<b>(10,429)</b>	<b>-</b>
<b>Cash balances</b>					
HSBC (non-interest bearing)	10,429	-	10,429	(10,429)	-
Money markets	-	-	-	-	-
<b>Total Cash</b>	<b>10,429</b>	<b>-</b>	<b>10,429</b>	<b>(10,429)</b>	<b>-</b>

## LB SF No.1 – Euro account

	Previously reported to 02-Oct-14 EUR	Transactions 2-Oct-14 to 19-Dec-14 EUR	Total to 19-Dec-14 EUR	Forecast 19-Dec-14 to completion EUR	Overall total to completion EUR
<b>Receipts</b>					
Release of funds from the Administrators	5,299	-	5,299	-	5,299
Distributions received	-	-	-	-	-
Sale of tax losses	-	-	-	-	-
Tax refund	-	-	-	-	-
Contribution to pension legal fees	-	-	-	-	-
Repayment of loans	-	-	-	-	-
Interest received gross	-	-	-	-	-
<b>Total Receipts</b>	<b>5,299</b>	<b>-</b>	<b>5,299</b>	<b>-</b>	<b>5,299</b>
<b>Payments</b>					
Legal fees and disbursements	-	-	-	-	-
Joint Liquidators' remuneration	-	-	-	-	-
Joint Liquidators' Category 1 disbursements	-	-	-	-	-
Contribution to employee costs for shared employee resources	-	-	-	-	-
Pension related legal costs	-	-	-	-	-
Accountants' fees	-	-	-	-	-
Statutory costs	-	-	-	-	-
Storage costs	-	-	-	-	-
Corporation tax payments	-	-	-	-	-
VAT payments	-	-	-	-	-
Irrecoverable VAT	-	-	-	-	-
<b>Total Payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intra-company transfers</b>					
Receipts	-	-	-	-	-
Payments	-	-	-	(5,299)	(5,299)
<b>Total receipts less total payments</b>	<b>5,299</b>	<b>-</b>	<b>5,299</b>	<b>(5,299)</b>	<b>-</b>
<b>Distributions</b>					
Distribution to LB SF Inc being 100p in the £ plus statutory interest held over from Administration	-	-	-	-	-
Cash distributions to Shareholder	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total receipts less total payments and distributions</b>	<b>5,299</b>	<b>-</b>	<b>5,299</b>	<b>(5,299)</b>	<b>-</b>
<b>Cash balances</b>					
HSBC (non-interest bearing)	5,299	-	5,299	-	-
Money markets	-	-	-	-	-
<b>Total Cash</b>	<b>5,299</b>	<b>-</b>	<b>5,299</b>	<b>-</b>	<b>-</b>

### ***3. The Joint Liquidators' time costs for the period 1 October 2014 to 30 November 2014***

Set out below are details of the Joint Liquidators' time costs and disbursements for the period of the Liquidation to 30 November 2014.

#### **1. Charging and disbursements policy**

As with the preceding Administration, the time charged to the Liquidation is by reference to the time properly given by the Liquidators and their staff in attending to matters arising.

It is the Liquidators' policy to delegate tasks in the Liquidation to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the Liquidators themselves.

Staff (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on the assignments in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 of an hour). There has been no allocation of any general costs or overhead costs.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of the Liquidators' staff actually or likely to be involved.

Specialist departments within the Liquidators' firm such as Tax, VAT, Property and Pensions have also been used where the Liquidators required their expert advice. Such specialists' rates do vary but the figures below provide an indication of the maximum rate per hour.

<b>Grade</b>	<b>Business Recovery Services</b>		<b>Specialist</b>	
	<b>Max £ per hour</b>		<b>Max £ per hour</b>	
	<b>To 30 June 2014</b>	<b>From 1 July 2014</b>	<b>To 30 June 2014</b>	<b>From 1 July 2014</b>
Partner	873	873	1,167	1,225
Director	665	665	1,076	1,076
Senior Manager	512	512	905	905
Manager	431	431	660	660
Senior Associate	360	360	490	490
Associate/Support Staff	229	229	228	228

In common with all professional firms, the scale rates used by the Liquidators have periodically risen (for example to cover annual inflationary cost increases) over the course of the Liquidation.

## 2. Expenses

There is no statutory requirement for the Liquidators to seek approval to draw expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the Liquidators propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the Joint Liquidators' own firm), they must be disclosed and be authorised by those responsible for approving this remuneration. Such expenses are known as "Category 2" disbursements and they must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

There have been no Category 2 disbursements incurred.

## 3. Professional firms instructed by the Liquidators

As stated in the report, the Liquidators have retained the services of two firms of solicitors, namely Linklaters and Dentons, because of their existing knowledge of the preceding Administrations and specialist insolvency experience and pension knowledge. Linklaters and Dentons are both required to submit time costs analyses and narratives in support of invoices rendered and seek prior approval before billing.

All costs in this regard have been approved by the Liquidators and invoices totalling £7,245 plus VAT remain to be paid before closure of the Liquidation.

## 4. Tax function costs

Certain group tax matters are managed through Lehman Brothers Limited ("LBL") as Group Paying Agent. When recoveries of Corporation Tax paid pre-appointment are paid to relevant estates, the associated PwC costs incurred by the relevant estates are re-apportioned by reference to quantum of refunds to each estate.

The final refund of pre-appointment Corporation tax has now been received by LBL and redistributed to certain group companies, and the final re-apportionment of costs is now known. LBSF has not benefited from any tax refund so will not contribute to the costs. Time costs in relation to tax function costs of £120,373 previously reported in the Administration have now been recovered from other estates, as LBSF received no benefit attributable to such costs. These costs had not actually been paid by LBSF so a refund is not due to it. Accordingly, an adjustment of previously reported Administration time costs is detailed below.

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Tax function costs previously reported in Administration	11.00	9,902	136.00	52,564	240.00	57,774	1.00	133	388.00	120,373
Tax function costs recovered	(11.00)	(9,902)	(136.00)	(52,564)	(240.00)	(57,774)	(1.00)	(133)	(388.00)	(120,373)
<b>Total tax function costs attributable</b>	-	-	-	-	-	-	-	-	-	-

## 5. Tables summarising the Liquidators' time costs

### Joint Liquidators time costs for the period 1 October 2014 to 30 November 2014

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	0.08	53	8.15	3,531	30.60	8,155	23.85	5,462	62.68	17,201
Strategy and Planning	24.35	16,296	12.05	5,468	19.85	6,370	2.30	527	58.55	28,661
Statutory and Compliance	-	-	6.60	2,903	19.60	7,056	6.00	1,366	32.20	11,325
Tax and VAT	30.70	30,156	15.70	8,514	32.15	9,703	2.35	415	80.90	48,788
Pensions	4.13	3,056	0.71	308	0.75	270	5.87	1,110	11.46	4,744
LBL / LBIE Recharges	0.29	186	1.70	522	0.54	144	2.02	442	4.55	1,294
<b>Grand Total</b>	<b>59.55</b>	<b>49,747</b>	<b>44.91</b>	<b>21,246</b>	<b>103.49</b>	<b>31,698</b>	<b>42.39</b>	<b>9,322</b>	<b>250.34</b>	<b>112,013</b>
<b>Average Hourly Rate</b>		<b>835</b>		<b>473</b>		<b>306</b>		<b>220</b>		<b>447</b>

### Joint Liquidators time costs for the period 3 October 2013 to 30 November 2014

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	0.13	87	108.60	47,462	174.20	51,088	179.55	41,117	462.48	139,754
Strategy and Planning	209.52	153,506	310.22	131,598	84.50	29,431	45.23	8,594	649.47	323,129
Asset Realisations	-	-	-	-	2.85	1,026	-	-	2.85	1,026
Statutory and Compliance	-	-	48.15	21,181	120.60	43,066	47.20	10,751	215.95	74,998
Tax and VAT	136.90	125,402	180.30	97,846	52.50	16,767	17.30	2,714	387.00	242,729
Creditors	-	-	2.70	1,164	6.25	2,231	3.82	875	12.77	4,270
Pensions	135.14	98,332	125.09	58,877	79.21	28,140	38.61	8,607	378.05	193,956
LBL / LBIE Recharges	0.83	556	4.45	1,727	5.85	1,439	14.54	3,146	25.67	6,868
<b>Grand Total</b>	<b>482.52</b>	<b>377,883</b>	<b>779.51</b>	<b>359,855</b>	<b>525.96</b>	<b>173,188</b>	<b>346.25</b>	<b>75,804</b>	<b>2,134.24</b>	<b>986,730</b>
<b>Average Hourly Rate</b>		<b>783</b>		<b>462</b>		<b>329</b>		<b>219</b>		<b>462</b>

## 6. Narrative of the Joint Liquidators' time costs for the period 1 October 2014 to 30 November 2014 and

### Accounting and Treasury - £139,754

- Managing investments on the money market;
- Mitigating risk on investments;
- Reconciliation of bank accounts;
- Processing payments for distributions to unsecured creditor and member; and
- Undertaking receipts and payments of funds and coding of movements.

### Strategy and Planning- £323,129

- Discussions regarding strategy for the Liquidation;
- Preparation of six monthly internal case review for the Liquidators;
- Dealing with 'round tripping' proposal and Netting Agreement;
- Reviewing financial information and intercompany relationships; and
- Discussion regarding exit strategy and relationship with subsidiary companies.

### Asset Realisations - £1,026

- Review of debtor balances.

### *Statutory and Compliance - £74,998*

- Statutory filings at Companies House and Court;
- Preparing receipts and payments account;
- Preparing detailed remuneration summary;
- Managing the LBSF database;
- Dealing with case closure formalities; and
- Liaising with Liquidators on statutory issues.

### *Tax and VAT - £242,729*

- Tax compliance;
- Reviewing the tax implications of 'round tripping' proposal;
- Dealing with tax and VAT queries; and
- Preparation of VAT returns.

### *Creditors - £4,270*

- Liaison with the sole remaining creditor, LBSFI;
- Calculation of the statutory interest due to LBSFI; and
- Arranging payment of the final dividend.

### *Pensions - £193,956*

- Monitoring the implications of the Supreme Court judgment in respect of the pension issue;
- Ongoing discussions with Lawyers in relation to pension issues; and
- Dealing with pension settlement.

### *LBL / LBIE Recharges - £6,868*

- This is an apportionment of the costs incurred by Lehman Brothers International (Europe) associated with the administration and liquidation companies.

# ***Appendix A – Notice of final meetings of the members and creditors of LB SF No.1***

## **LB SF No.1 - In Liquidation**

NOTICE IS HEREBY GIVEN, pursuant to Section 106 of the Insolvency Act 1986, that final meetings of members and creditors of the above named company will be held at the offices of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT on 30 January 2015 at 10.45am and 11am respectively, for the purpose of receiving an account of the Liquidators' acts and dealings and of the conduct of the winding up.

**If you are not attending the meeting, in order to be entitled to vote, creditors must ensure that proxies are returned no later than midday on the business day before the meeting to PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. If you have not already done so, creditors must submit a statement of claim either at or before the meeting.**

No formal resolutions will be put to the meeting, however, creditors may resolve against the Joint Liquidators' release. In the absence of such a resolution, the Joint Liquidators will automatically be released from any liabilities they may have incurred.

Dated: 23 December 2014

Signed:



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Joint Liquidator



**Rule 8.1 Insolvency Act 1986**  
**Proxy (Creditors' Voluntary Winding Up)**

**Notes to help  
completion of the  
form**

**LB SF No.1 – In Liquidation**

Please give full name  
and address for  
communication

Name of creditor .....

Address .....

.....

Please insert name of  
person (who must be  
18 or over) or the  
"chairman of the  
meeting" (see note  
below). If you wish to  
provide for alternative  
proxy-holders in the  
circumstances that  
your first choice is  
unable to attend  
please state the  
name(s) of the  
alternatives as well

Name of proxy-holder .....

1.....

2.....

3.....

Please delete words  
in brackets if the  
proxy-holder is only to  
vote as directed ie he  
has no discretion

I appoint the above person to be my/the creditor's proxy-holder at the meeting of  
creditors to be held at 11am on 30 January 2015, or at any adjournment of that  
meeting. The proxy-holder is to propose or vote as instructed below [and in respect  
of any resolution for which no specific instruction is given, may vote or abstain at  
his/her discretion].

**Voting instructions for resolutions**

Any other resolutions  
which the proxy-  
holder is to propose  
or vote in favour of or  
against should be set  
out in numbered  
paragraphs in the  
space provided below  
paragraph 1. If more  
room is required  
please use the other  
side of this form.

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 .....  
 .....

**This form must be  
signed**

Signature..... Date.....

Name in CAPITAL LETTERS.....

Only to be completed  
if the creditor has not  
signed in person

**Position with creditor or relationship to  
creditor or other authority for signature: .....**

**Please note that if you nominate the chairman of the meeting to be your proxy-  
holder, he/she will either be the current liquidator or a member of their staff.**

Remember: there may be resolutions on the other side of this form.

**Rule 8.1 Insolvency Act 1986**  
**Proxy (Creditors' Voluntary Winding Up)**

**Notes to help  
completion of the  
form**

Please give full name  
and address for  
communication

**LB SF No.1 – In Liquidation**

Name of member.....

Address .....

.....

Name of proxy-holder .....

1.....

2.....

3.....

Please insert name of  
person (who must be  
18 or over) or the  
"chairman of the  
meeting" (see note  
below). If you wish to  
provide for alternative  
proxy-holders in the  
circumstances that  
your first choice is  
unable to attend  
please state the  
name(s) of the  
alternatives as well

Please delete words  
in brackets if the  
proxy-holder is only to  
vote as directed ie he  
has no discretion

I appoint the above person to be my/the member's proxy-holder at the meeting of  
members to be held at 10.45am on 30 January 2015, or at any adjournment of that  
meeting. The proxy-holder is to propose or vote as instructed below [and in respect  
of any resolution for which no specific instruction is given, may vote or abstain at  
his/her discretion].

**Voting instructions for resolutions**

Any other resolutions  
which the proxy-  
holder is to propose  
or vote in favour of or  
against should be set  
out in numbered  
paragraphs in the  
space provided below  
paragraph 1. If more  
room is required  
please use the other  
side of this form.

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 .....

**This form must be  
signed**

Signature..... Date.....

Name in CAPITAL LETTERS.....

Only to be completed  
if the member has not  
signed in person

**Position with member or relationship to  
member or other authority for signature: .....**

**Please note that if you nominate the chairman of the meeting to be your proxy-  
holder, he/she will either be the current liquidator or a member of their staff.**

Remember: there may be resolutions on the other side of this form.