



To all known creditors

30 April 2012

Our Reference: DAH/AGW/AD/ P11-4

Dear Sirs

LB UK Financing Limited – in Administration (the “Company”)

Pursuant to Rule 2.47 of the Insolvency Rules 1986, I attach a copy of the Joint Administrators' seventh report on the progress of the Administration for the six months ended 1 April 2012, together with a copy of Form 2.24B.

Yours faithfully
For and on behalf of the Company

A handwritten signature in dark ink, appearing to read 'DA Howell', written over a light blue horizontal line.

DA Howell
Joint Administrator

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of LB UK Financing Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
T: +44 (0) 207 583 5000, F: +44 (0) 207 822 4652, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

The Insolvency Act 1986

Administrators' progress report

Name of Company
LB UK Financing Limited

Company number
05729776

In the
High Court of Justice, Chancery Division

[full name of court]

Court case number
8604 of 2008

(a) Insert full name(s) and
address(es) of
administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann,
Michael John Andrew Jervis and Derek Anthony Howell of

PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

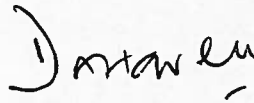
from

to

(b) 2 October 2011

(b) 1 April 2012

Signed



Joint Administrator

Dated

30 April 2012

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

PricewaterhouseCoopers LLP

7 More London Riverside, London SE1 2RT

Tel 0207 583 5000

DX Number

DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

LB UK Financing Limited – In Administration

Joint Administrators' progress
report for the period 2 October 2011
to 1 April 2012

30 April 2012

Contents

Section 1	<i>Purpose of the Joint Administrators' progress report</i>	3
Section 2	<i>Joint Administrators' actions to date</i>	4
Section 3	<i>Statutory and other Information</i>	5
Section 4	<i>Financial Information</i>	6
Section 5	<i>Receipts and Payments Account</i>	7
Section 6	<i>Joint Administrators' time costs for the period 1 May 2011 to 29 February 2012</i>	8

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the seventh progress report by the Joint Administrators (the "Administrators") of LB UK Financing Limited ("LBUKF" or the "Company").

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 1 April 2012.

Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of the Company as a whole than would be likely if the Company were wound up (without first being in Administration).

The specific aim of this Administration is to protect, control and realise the Company's investment in its subsidiary for the benefit of the unsecured creditor of LBUKF.

Outcome for creditors

The Administrators expect a distribution will be made to unsecured creditors in due course, however the quantum and timing of this distribution remains uncertain, principally due to uncertainty around a potential pension liability.

As previously advised, the Pensions Regulator (the "Regulator") listed LBUKF as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

In September 2010 the Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. LBUKF was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including LBUKF) should also be subject to an FSD. This means that LBUKF is still at risk from this potential liability.

LBUKF (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal should be struck out on the grounds that it is now no longer possible for the Regulator to impose an FSD against LBUKF. The Trustees and the Pensions Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was reserved and has not yet been handed down.

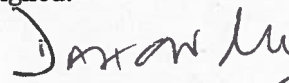
Extension of the administration

On the application of the Administrators, the High Court granted an Order to extend the period of the Administration to 30 November 2013.

Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



DA Howell
Joint Administrator
LB UK Financing Limited

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of LB UK Financing Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Section 2 Joint Administrators' actions to date

Overview

LBUKF acted as the holding company and funding vehicle for LB SF No 1 ("LBSF"). LBSF and its subsidiaries invested in a variety of performing and non-performing loan portfolios.

Administrators' actions to date

The Administrators are monitoring the most significant asset of the Company, its investment in LBSF. The level of realisations within LBSF will determine the final level of realisations of LBUKF.

LBSF has recently received a dividend from Lehman Brothers Holdings, Inc. of c. \$137m. Further significant dividends are expected to be received by LBSF that will result in a greater return for LBUKF.

LBUKF incurred significant tax losses in pre-appointment tax accounting periods which have proved to be of value to other group companies.

A tax loss agreement was entered into with, inter alia, the other PwC Lehman administration companies. This agreement set out the basis for allocating tax losses, and the value to be paid to loss surrendering companies such as LBUKF. This has resulted in receipts of £1.3m as at 2 April 2012.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8604 of 2008
<i>Full name:</i>	LB UK Financing Limited
<i>Trading name:</i>	LB UK Financing Limited
<i>Registered number:</i>	05729776
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09), AJ Rush (resigned 28/10/08)
<i>Company secretary:</i>	ESE Upton (resigned 25/01/10), P Dave (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	2 October 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmman, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
<i>Appointer's name and address:</i>	The directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	The current Joint Administrators are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmman of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators, may be done by any or one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an extension of the Administration to 30 November 2013.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	It is too early to estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and net property:</i>	Not applicable as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings.

Section 4 Financial Information

Administrators' remuneration

In August 2011, the Administrators requested and received consent from the creditors of the Company for the Administrators' time costs to be fixed by reference to the time properly given by them and the various grades of their staff.

The Administrators also requested that they be authorised to draw their remuneration from time to time. However the Administrators have not yet received formal confirmation from creditors that they may do so.

Attached at Section 6 is a summary of the Administrators' time costs for 1 May 2011 to 29 February 2012, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Creditors have previously been provided with details of the Administrators' time costs for to 30 April 2011.

Total time costs for 1 May 2011 to 29 February 2012 are £41,171, which comprises 110.13 hours at an average hourly rate of £373.84. Unbilled time costs since the date of administration total £137,958.

Rate increase

An increase to rates has been applied with effect from 1 January 2012. Details of increased rates are set out in Section 6.

Receipts and payments account

Set out in Section 5 of this report is a receipts and payments account for LBUKF, for the period since appointment, together with the movements from 2 October 2011 to 2 April 2012.

A loan has been made from LBUKF to a Lehman group Company to cover costs of completing the VAT returns from commencement of administration to date.

Net receipts to 1 April 2012 amount to £1,320,592.

Section 5 Receipts and Payments Account

	As at 2 April 2012 GBP (£)	As at 1 October 2011 GBP (£)	Movements GBP (£)
Receipts			
Recharge of tax function costs	23,827	23,563	264
Sale of tax losses	1,308,646	967	1,307,679
Total Receipts	1,332,473	24,530	1,307,943
Payments			
Legal fees	8,944	3,751	5,193
Employee costs	1,484	1,094	390
Loan to Lehman Brothers Limited in respect of VAT costs	428	-	428
Statutory advertising	967	967	-
VAT Paid	58	156	(98)
Total Payments	11,881	5,968	5,913
Net Position	1,320,592	18,562	1,302,030
Cash Balances			
HSBC (non-interest bearing)	1,320,592	18,562	1,302,030
Total Cash	1,320,592	18,562	1,302,030

Section 6 Joint Administrators' time costs for the period 1 May 2011 to 29 February 2012

Joint administrators' time costs for the period 1 May 2011 to 29 February 2012

Classification of work	Partner/Director	Senior Manager/Manager	Senior Associate	Associate/Support Staff	Total hours
	Hours	£	Hours	£	Hours
Accounting and Treasury	1.00	980	2.80	807	13.10
Administration and Planning	2.30	1,840	17.30	5,592	26.30
Creditors	-	-	1.80	446	5.40
Statutory and Compliance	-	-	26.90	7,053	28.40
Tax and VAT	9.00	8,820	7.00	2,048	31.60
LBL Recharges	0.09	59	1.82	419	5.33
Grand Total	12.39	11,699	57.62	16,365	110.33
					41,171

Current charge out rates	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	To 31 Dec 11	From 1 Jan 12	To 31 Dec 11	From 1 Jan 12
Director	800	838	980	1,027
Senior manager	610	639	890	932
Manager	470	492	830	869
Senior Associate	395	414	605	634
Associate/Support Staff	330	346	330	389
	210	220	195	204

The Administrators' remuneration has been fixed by reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration.

* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown given an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Narrative of the Joint Administrators' time costs for the period 1 May 2011 to 29 February 2012

Accounting and treasury - £3,899

- Undertaking receipts and payments; and
- Prepare bank reconciliations.

Administration and planning - £9,467

- Review of intercompany relationships;
- Discussions regarding strategy for the administration;
- Applying to court to extend period of Administration; and
- Discussion regarding exit strategy and relationship with subsidiary.

Creditors - £2,093

- Time spent reviewing and agreeing the Plan of Reorganisation, including agreeing in principal the claim of LBHI.

Statutory and other compliance – £7,680

- Preparation of Administrators' sixth progress report;
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare receipts and payments account;
- Prepare detailed remuneration summary;
- Analyse timesheets for completeness and accuracy;
- Fee analysis and preparing billing paperwork;
- Manage the LBUKF database; and
- Liaise with Administrators on statutory issues.

Tax and VAT - £16,548

- Dealing with tax and VAT queries;
- Recovery of tax losses; and
- Preparation of Corporation Tax returns.

LBL recharges - £1,484

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies.