
Lehman Brothers Holdings plc – In Administration

Joint Administrators' progress
report for the period 15 September
2012 to 14 March 2013

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12 April 2012

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the ninth progress report by the Joint Administrators (the "Administrators") of Lehman Brothers Holdings plc ("LBH" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 14 March 2013.

Objectives of the Administration

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

The specific aims of this Administration are to:

- Realise all assets, including all cash and derivative positions on a managed basis;
- Mitigate as far as is possible and agree in principle the claims of all creditors; and
- Continue to manage its subsidiaries with a view to maximising returns to LBH.

Creditors' Committee

As outlined in our previous report, the Administrators have met with the Creditors' Committee on five occasions since 12 December 2008, in order to discuss significant issues and outline key decisions. The most recent meeting was held on 25 January 2012.

Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors.

As it seems likely that funds will become available for unsecured creditors, the Administrators are continuing the process of establishing in principle the claims of unsecured creditors. This is in line with the proposals agreed by creditors on 20 November 2008. The Administrators anticipate that LBH will become a distributing Admininstration in due course.

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors and will also consult with your Creditors' Committee.

Pension Liability

As previously reported, the case in the Supreme Court relating to the status of liability under a Financial Support Direction ("FSD") is due to be heard in May 2013. In the meantime, the Upper Tribunal hearing on whether LBH should have a FSD made against it is likely to remain stayed.

It will likely be some time yet before any potential liability against LBH under a FSD can be quantified.

Change of Administrators

Upon an application to the High Court of Justice ("the Court"), an order was made on 22 March 2013 that GE Bruce and JG Parr be appointed Joint Administrators and that DY Schwarzmann and MJA Jervis cease to be Joint Administrators of the Company.

The Court also ordered that former Joint Administrators shall be released from all liability pursuant to the relevant sections in the Insolvency Act 1986 in respect of their acts and omissions and otherwise in respect of their conduct as administrators of the Company and that such release will take effect 56 days after the date of this progress report. The Court gave permission for each creditor and member of the Company to apply to vary or discharge its Order by an application issued within 28 days of receipt of this progress report.

Future reports

The Administrators' next progress report to creditors will be sent in approximately six months.

Signed:



DA Howell
Joint Administrator
Lehman Brothers Holdings plc

AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers Holdings PLC to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

*The Joint Administrators 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 administration.*

Section 2 Joint Administrators' actions to date

Asset review

Following the appointment of Administrators, a detailed review of the asset position was undertaken which identified the following categories of assets:

- Investments in subsidiary undertakings;
- Financial assets; and
- Inter-company debts.

The Administrators continue to monitor all of the investments, ensuring that the strategy put in place remains the most effective way to realise value for the benefit of LBH's creditors.

Tax

As creditors are aware, LBH 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, interalia, 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 LBH. LBH has realised £7.6m from the sale of tax losses up to 14 March 2013.

In line with the tax loss agreement, tax function costs (which are an allocation of centrally incurred tax costs) have been deducted from the payments received. LBH has received a rebate of previously paid costs in the period of £150K.

Investments in subsidiary undertakings

Lehman Brothers Asset Management (Europe) Limited (“LBAM”)

As previously advised, the business and assets of LBAM were sold on 7 May 2009. The benefit of the residual tax losses was retained by LBH and the Administrators have received c. £2.6m to date in respect of these losses, of which, £24K has been received in the period. This is in addition to the £7.6m detailed above.

Other Subsidiaries

There are a number of other subsidiary companies where LBH's equity interest may have value but, until significant matters in those companies are resolved, including the pension FSD, the amount of potential total realisations for LBH remains uncertain.

During the period, LBH made recoveries from its investment in Lehman Brothers (Isle of Man) Limited totalling £87K. Further details are set out later in this section.

Financial assets

The most significant outstanding financial assets are:

Campo Iris (“CI”)

CI is a wholly owned subsidiary of LBH which entered into a joint venture with a Spanish company. CI's only asset is cash at Bank within the joint venture, which is understood to be c.€1m.

Since their last report, the Administrators have appointed a director to CI to bring its financial and statutory affairs up to date and then to seek to wind up CI in order to realise the funds in the joint venture.

Inter-company debts

The Company had two key functions:

- As a holding company for a number of entities in the UK Group; and
- As a “pass-through” vehicle for the transfer of subordinated debt and cash funding to LBIE.

There are 59 intercompany relationships which have been identified. The six largest debtors total c.£329m and the six largest creditors total c.£874m which represents 89% and 90% of the total intercompany debtor and creditor balances respectively.

To date, LBH has made recoveries of £87K on its investment in Lehman Brothers (Isle of Man) Limited. This comprised of a dividend to LBH as shareholder of £58K and an intercompany loan repayment of £29K.

On 11 October 2011, the Administration entered into a settlement agreement with Lehman Brothers Holdings Inc (“LBHI”) and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012. Pursuant to this agreement LBH had its claims against Lehman Brothers Special Financing Inc (“LBSF”) and Lehman Commercial Paper Inc (“LCPI”) agreed at \$19.3m and \$2.2m respectively.

The first distributions from those estates were made on 17 April 2012 and LBH received \$3.8m from LBSF and \$0.26m from LCPI. A second distribution was made on 1 October 2012 and LBH received \$0.3m from LBSF and \$0.2m from LCPI. A third dividend was received after the date of this report of \$0.5m from LBSF and \$0.3m from LCPI. These funds were immediately exchanged for GBP to minimise the foreign exchange risk.

Further dividends from LBSF and LCPI will be received on a six monthly basis.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 7943 of 2008
<i>Full name:</i>	Lehman Brothers Holdings plc
<i>Trading name:</i>	Lehman Brothers Holdings plc
<i>Registered number:</i>	01854685
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	Mr IM Jameson (resigned 25/07/09), Mr AJ Rush (resigned 19/11/08), Mr DS Rushton (resigned 25/07/09), Mr C Pellerani (resigned 13/11/08), Mr D Gibb (resigned 28/07/09)
<i>Company secretary:</i>	Ms M Smith (resigned 06/02/10), Ms P Dave (resigned 09/02/10), Ms ESE Upton (resigned 09/02/10)
<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>	15 September 2008
<i>Current Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT (MJA Jervis and DY Schwarzmann ceased to act on 22 March 2013)
<i>Appointer's name and address:</i>	High Court of Justice, Chancery Division, Companies Court
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	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 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 High Court of Justice has granted three successive extensions to the Administration period to: 30 November 2010, 30 November 2011 and most recently 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>	There are too many uncertainties to accurately estimate the likely dividend for unsecured creditors.
<i>Estimated values of the prescribed part and LBH's 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 does apply to this Administration and these are the main proceedings.

Section 4 Financial Information

Administrators' remuneration

Time cost information including a detailed narrative describing the work undertaken by the Administrators and their staff has been provided to your Creditors' Committee which has approved the basis and quantum of the Administrators' remuneration to 31 December 2011, totalling £2,782,598, plus VAT.

As at 14 March 2013, further remuneration of £283,702 has been drawn, being 75% of the Administrators' time costs for the period from 1 July 2011 to 31 October 2012. All remuneration has been drawn in accordance with resolutions agreed with your Creditors' Committee.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 14 March 2013, and a cumulative total since commencement of the Administration, is set out overleaf.

Key movements in period

- Receipts from LBSF and LCPI totalling \$528k;
- A further £68k has been earned in interest;
- The beneficiaries of the assets held on trust are: LB Redditch No 1 Limited and LB Redditch No 2 Limited. These funds are their recoveries in respect of tax refunds;
- Loan repayment of £29K; and
- Shareholder distributions of £58K.

Net receipts as at 14 March 2013 total approximately £55m.

Section 5 Receipts and Payments Account

	GBP		USD		EUR	
	Movements in Period	14-Mar-13	Movements in Period	14-Mar-13	Movements in Period	14-Mar-13
		14-Sep-12		14-Sep-12		14-Sep-12
Receipts						
Investments in subsidiaries	954,027	58,084	895,943	476,050	-	476,050
Intercompany debtors	29,122	29,122	-	4,666,628	528,064	4,138,564
Book debts	86,038	-	86,038	-	-	-
Tax refund	15,000	-	15,000	-	-	-
Sale of tax losses	7,612,380	-	7,612,380	-	-	-
Financial assets	-	-	-	23,459	-	23,459
Bank Interest	345,780	67,802	277,978	227,212	-	227,212
Assets held on trust	8,288	35	8,253	-	-	-
LBAM tax loss receipts	2,577,611	24,018	2,553,593	-	-	-
Net proceeds from sale of LBAM	(847,960)	-	(847,960)	74,087,363	-	74,087,363
Total Receipts	10,780,286	179,061	10,601,225	79,480,712	528,064	78,952,648
Payments						
Legal fees	548,528	18,570	529,958	4,161	-	4,161
Postage	3,200	975	2,225	-	-	-
Payments on behalf of subsidiaries	88,923	5,000	83,923	-	-	-
Wages & salaries	30,322	17,130	13,192	-	-	-
Bank charges	8,326	3	8,323	950	-	950
IT costs	170,741	20,741	150,000	-	-	-
Joint Administrators' remuneration	2,863,049	49,992	2,813,057	-	-	-
Joint Administrators' category 1 disbursements	38,549	-	38,549	-	-	-
Professional fees	112,798	13,526	99,272	-	-	-
Insurance	168,860	7,094	161,766	-	-	-
Contribution to tax costs	284,681	(150,257)	434,938	-	-	-
VAT	313,320	2,816	310,504	-	-	-
Total Payments	4,631,297	(14,410)	4,645,707	5,111	-	5,111
Intercompany Transfers						
Payment	-	-	-	(79,474,478)	(528,000)	(78,946,478)
Receipt	49,018,213	326,927	48,691,286	-	-	-
Net Position	55,167,202	520,398	54,646,804	1,123	(64)	1,059
Cash Balances						
HSBC	351,639	(324,561)	676,200	1,123	64	1,059
Money market deposits	54,815,563	844,959	53,970,604	-	-	-
Total Cash/Movements	55,167,202	520,398	54,646,804	1,123	(64)	1,059
Total Cash as at 14 March 2013 based on exchange rates on 14 March 2013 was £55,174,796						
Funds are invested on the money markets in order to accrue interest and to manage risk.						

