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***LB UK Financing  
Limited –  
In Administration***

Joint Administrators' progress  
report for the period 2 April 2013 to  
1 October 2013

30 October 2013

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# *Section 1 Purpose of the Joint Administrators' progress report*

## *Introduction*

This is the tenth 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 October 2013.

## *Objectives of the Administration*

The Administrators are pursuing the objective of achieving a better result for the Company's creditors 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, LB SF No.1 (“**LBSF**”), for the benefit of the unsecured creditors of LBUKF.

## *Outcome for creditors*

On 24 June 2013 the Court gave the Administrators of LBUKF permission to agree and pay a dividend in respect of the claims of unsecured creditors. Shortly after the period covered by this report, the Administrators declared and paid a first interim dividend of 0.088 pence to the Company's unsecured non-preferential creditor.

A second interim dividend will be paid following receipt of funds from LBSF.

LBSF was placed into Creditors' Voluntary Liquidation on 3 October 2013, shortly after the period of this report, and expects to pay its unsecured non-preferential creditors in full, plus statutory interest, in the near future.

Following its move into liquidation, LBSF is now able to make a distribution to LBUKF, its sole shareholder. The Administrators anticipate that a distribution will be made to LBUKF within the next few months. However, the precise timing and quantum of this distribution has not yet been confirmed.

## *Pension liability*

We explained in our previous report that the Upper Tribunal's decision not to grant the strike-out application that was brought by LBUKF and 36 other entities was being appealed. The Court of Appeal issued its judgment on 21 June 2013, dismissing the appeal. Accordingly, the risk that we have explained previously of a Financial Support Direction (“**FSD**”) being imposed on LBUKF remains in place.

The Supreme Court issued its judgment on 24 July 2013 in a case brought by certain other Lehman entities, whereby it held that liability derived from a FSD would constitute a provable debt in an administration. This has enabled the Administrators to change the basis of reserving for any possible FSD liability, to allow for a potential additional unsecured debt rather than an administration expense.

During the period covered by this report LBUKF joined with the other 36 entities to establish a collective reserve for possible FSD liability. However, it was not possible to reach agreement with the pension scheme trustees on the operation of this reserve, and it was therefore not brought into full effect. Following this, LBUKF is participating in a court process which may assist in determining whether the entities could make a collective reserve or whether they will need to reserve separately.

The Administrators continue to monitor the pension issues closely.

## *Extension of the Administration*

On the application of the Administrators, the High Court made an order to extend the period of the Administration to 30 November 2015.

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# ***Section 1 Purpose of the Joint Administrators' progress report***

## ***Future reports***

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

Signed:



GE Bruce  
Joint Administrator  
LB UK Financing Limited

*AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Joint Administrators of LB UK Financing Limited 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.*

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## ***Section 2 Joint Administrators' actions to date***

### ***Background***

LBUKF acted as the holding company and funding vehicle for LBSF. LBSF and its subsidiaries invested in a variety of performing and non-performing loan portfolios.

### ***Administrators' actions to date***

The Administrators continue to monitor 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.

As explained earlier in this report, LBSF was placed into liquidation on 3 October 2013. It is anticipated that a distribution will be made to LBUKF as sole shareholder of LBSF within the next few months.

To date, LBSF has received dividends from Lehman Brothers Holdings, Inc ("**LBHI**"). totalling \$335m. Further dividends are expected to be received by LBSF from LBHI and from LBSF's subsidiaries that will result in a greater return for LBUKF.

## 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>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.
<i>Appointer's name and address:</i>	The original appointment of Administrators was made by 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>	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 High Court of Justice has granted four successive extensions to the Administration period to: 30 November 2010, 30 November 2011; 30 November 2013 and most recently to 30 November 2015
<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.

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## ***Section 4 Financial Information***

### ***Administrators' remuneration***

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

In June 2013, the Administrators convened a creditors' meeting by correspondence to seek approval for their remuneration of £83,765 plus VAT for the period from 1 May 2011 and 30 April 2013. However the meeting was inquorate and therefore no remuneration has been drawn in the period.

The Administrators propose to convene a further meeting of creditors to obtain formal confirmation that they may draw their remuneration for the period 1 May 2011 to 30 September 2013 totalling £121,049 plus VAT.

In the event that the Administrators are unable to obtain approval for their remuneration from the Company's creditors, such approval will have to be sought from the Court as the only alternative. We hope to avoid this as it is a particularly lengthy and costly process.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 March 2013 to 30 September 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £37,284 plus VAT, which comprises 101.37 hours at an average hourly rate of £367.80.

### ***Receipts and payments account***

An account of the receipts and payments for the six months to 1 October 2013, together with a cumulative total since commencement of the Administration, is set out in Section 5.

Net receipts as at 1 October 2013 total approximately £2m.

## Section 5 Receipts and Payments Account

	As at 1 October 2013 GBP (£)	As at 1 April 2013 GBP (£)	Movements GBP (£)
<b>Receipts</b>			
VAT refunds	14	-	14
Recharge of tax function costs	23,827	23,827	-
Sale of tax losses	2,169,341	2,169,341	-
<b>Total Receipts</b>	<b>2,193,182</b>	<b>2,193,168</b>	<b>14</b>
<b>Payments</b>			
Legal fees	21,342	14,598	6,744
Employee costs	6,296	1,484	4,812
Shared occupancy costs	2,777	-	2,777
IT costs	5,741	5,741	-
Shares in subsidiaries	4	-	4
Loan to LBL in respect of VAT costs	428	428	-
Administrators' remuneration	99,365	99,365	-
Administrators' Category 1 disbursements	109	109	-
Statutory advertising	10,301	967	9,334
VAT Paid	19,859	17,076	2,783
<b>Total Payments</b>	<b>166,222</b>	<b>139,768</b>	<b>26,454</b>
<b>Net Position</b>	<b>2,026,960</b>	<b>2,053,400</b>	<b>(26,440)</b>
<b>Cash Balances</b>			
HSBC (non-interest bearing)	2,026,960	2,053,400	(26,440)
<b>Total Cash</b>	<b>2,026,960</b>	<b>2,053,400</b>	<b>(26,440)</b>



## *Section 6 Joint Administrators' time costs for the period 1 March 2013 to 30 September 2013*

### Joint administrators' time costs for the period 1 March 2013 to 30 September 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	1.50	641	3.95	999	11.55	2,616	17.00	4,256
Administration and Planning	5.80	4,117	14.20	5,950	3.10	832	1.75	387	24.85	11,286
Creditors	-	-	1.70	733	-	-	3.20	733	4.90	1,466
Statutory and Compliance	2.35	1,820	7.60	3,179	27.85	7,308	1.70	388	39.50	12,695
Tax and VAT	2.80	2,876	6.00	3,376	3.00	720	2.50	375	14.30	7,347
LBL Recharges	0.03	17	0.17	74	0.24	65	0.38	78	0.82	234
<b>Grand Total</b>	<b>10.98</b>	<b>8,830</b>	<b>31.17</b>	<b>13,953</b>	<b>38.14</b>	<b>9,924</b>	<b>21.08</b>	<b>4,577</b>	<b>101.37</b>	<b>37,284</b>

Current charge out rates	Business Recovery Services	Specialist	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. The maximum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.
Grade	Max £/hr	Max £/hr	
Partner	838	1,027	* 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 give 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.
Director	639	932	
Senior manager	492	869	
Manager	414	634	
Senior Associate	346	389	
Associate/Support Staff	220	204	

## ***Narrative of the Joint Administrators' time costs for the period 1 March 2013 to 30 September 2013***

### ***Accounting and treasury - £4,256***

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

### ***Administration and planning - £11,286***

- Discussions regarding strategy for the administration;
- Preparation of six monthly internal case review for the Administrators;
- Reviewing the implications of the Supreme Court judgment in respect of the pension issue;
- Preparation of Court application for LBUKF to become a distributing administration; and
- Discussion regarding exit strategy and relationship with subsidiary companies.

### ***Creditors – £1,466***

- Review of intercompany claims;
- Correspondence with creditor regarding adjudication of claim; and
- Review and maintenance of claim file.

### ***Statutory and other compliance – £12,695***

- Preparation of the Administrators' ninth progress report;
- Convening meeting by correspondence;
- Circulate progress report to creditors;
- Statutory filings at Companies House and Court;
- Prepare receipts and payments account;
- Prepare detailed remuneration summary;
- Manage the LBUKF database; and
- Liaise with Administrators on statutory issues.

### ***Tax and VAT - £7,347***

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

### ***LBL recharges - £234***

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