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

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

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30 October 2012

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the eighth 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 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 to 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 noted in previous reports, 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.

LBUKF (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal relating to a FSD should be struck out on the grounds that it is now no longer possible for the Regulator to impose a FSD against the Company. The Trustees and the Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was handed down on 14 June 2012 with the Upper Tribunal declining to strike out the Trustees' referral, meaning that LBSF is still at risk of a FSD. The Upper Tribunal's decision has been appealed to the Court of Appeal,

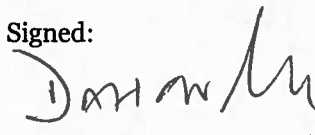
and the hearing in the Court of Appeal has now been listed to begin on 29 April 2013.

The Administrators continue to keep the pensions issues under close review and are working to find an interim resolution that may allow dividends to be paid soon.

## 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.*

*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***

### ***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 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.

To date, LBSF has received dividends from Lehman Brothers Holdings, Inc. totalling \$222m. 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.

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

As previously reported, a tax loss agreement was entered into with, inter alia, the other PwC Lehman administration companies. LBUKF has realised £2.2m from the sale of tax losses up to 1 October 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 Schwarzmans, 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 Schwarzmans 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 a further extension to 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.



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## ***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.

Attached at Section 6 is a summary of the Administrators' time costs for 1 March to 31 August 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 the period 2 October 2008 to 29 February 2012.

Total time costs for 1 March to 31 August 2012 are £18,729, which comprises 88.37 hours at an average hourly rate of £211.94.

The Administrators have previously sought, and received approval, in respect of their remuneration for the period 2 October 2008 to 30 April 2011 at £99,365. The Administrators will seek formal confirmation from creditors that they may draw further remuneration with their next six monthly report.

### ***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 for this period from 2 April to 1 October 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.

## Section 5 Receipts and Payments Account

	As at 1 October 2012 GBP (£)	As at 1 April 2012 GBP (£)	Movements GBP (£)
<b>Receipts</b>			
Recharge of tax function costs	23,827	23,827	-
Sale of tax losses	2,169,341	1,308,646	860,695
<b>Total Receipts</b>	<b>2,193,168</b>	<b>1,332,473</b>	<b>860,695</b>
<b>Payments</b>			
Legal fees	8,944	8,944	-
Employee costs	1,484	1,484	-
Loan to Lehman Brothers Limited in respect of VAT costs	428	428	-
Administrators' remuneration	99,365	-	99,365
Administrators' Category 1 disbursements	109	-	109
Statutory advertising	967	967	-
VAT Paid	16,398	58	16,340
<b>Total Payments</b>	<b>127,695</b>	<b>11,881</b>	<b>115,814</b>
<b>Net Position</b>	<b>2,065,473</b>	<b>1,320,592</b>	<b>744,881</b>
<b>Cash Balances</b>			
HSBC (non-interest bearing)	2,065,473	1,320,592	744,881
<b>Total Cash</b>	<b>2,065,473</b>	<b>1,320,592</b>	<b>744,881</b>

## Section 6 Joint Administrators' time costs for the period 1 March to 31 August 2012

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	-	-	1.20	304	3.90	858	5.10	1,162
Administration and Planning	1.40	1,173	13.60	5,646	0.80	212	5.10	1,122	20.90	8,153
Creditors	-	-	-	-	0.70	224	0.30	66	1.00	290
Statutory and Compliance	-	-	0.80	386	0.30	104	11.50	2,530	12.60	3,020
Tax and VAT	-	-	0.60	311	44.00	4,840	3.30	693	47.90	5,844
LEL Recharges	0.01	4	0.30	123	0.20	54	0.36	80	0.87	261
<b>Grand Total</b>	<b>1.41</b>	<b>1,177</b>	<b>15.30</b>	<b>6,466</b>	<b>47.20</b>	<b>5,738</b>	<b>24.46</b>	<b>5,349</b>	<b>88.37</b>	<b>18,730</b>

### Current charge out rates

Grade	Business Recovery Services		Specialist	
	Max £/hr	838	Max £/hr	1,027
Partner	639	932		
Director	492	869		
Senior manager	414	634		
Manager	346	389		
Senior Associate	220	204		
Associate/Support Staff				

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 0.1 of an hour.

\* 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 March to 31 August 2012***

### ***Accounting and treasury - £1,162***

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

### ***Administration and planning - £8,153***

- Review of intercompany relationships;
- Discussions regarding strategy for the administration; and
- Discussion regarding exit strategy and relationship with subsidiary.

### ***Creditors - £290***

- Queries from LBHI.

### ***Statutory and other compliance – £3,020***

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

### ***Tax and VAT - £5,844***

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

### ***LBL recharges - £261***

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