
Lehman Brothers UK Holdings Limited – In Administration

Joint Administrators' progress
report for the period 29 September
2013 to 28 March 2014

24 April 2014

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 September 2013 to 28 February 2014</i>	8

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eleventh progress report by the Joint Administrators (the "Administrators") of Lehman Brothers UK Holdings Limited ("LBUKH" 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 28 March 2014.

Objective of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of LBUKH 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 and control any return on the Company's investments in subsidiaries and intercompany book debts, for the benefit of the unsecured creditors of LBUKH.

Outcome for creditors

The Administrators have concluded that it is appropriate to pay a dividend to unsecured creditors and have applied to Court for permission to pay a dividend to LBUKH's unsecured creditors.

If the Court gives permission, the Administrators currently anticipate that a first interim distribution will be made to unsecured creditors before the end of 2014.

Pension Liability

Following the Supreme Court judgment in July 2013, to which the Administrators referred in their previous report, the stay which had been in force for the Upper Tribunal proceedings came to an end. The Upper Tribunal has the role of deciding whether a Financial Support Direction ("FSD") should be made, and against which entities, in respect of the Lehman Brothers Pension Scheme. LBUKH is one of the potential targets of a FSD.

In accordance with directions from the Upper Tribunal, written arguments have been produced by the Pensions Regulator and the pension scheme trustees. The Upper Tribunal has also issued a timetable for the FSD targets (including LBUKH) to file its written defences, and has set a date in February 2015 for a substantive hearing. The Upper Tribunal is expected to issue further directions in July 2014.

There remains a risk of LBUKH having a liability to the pension scheme under a FSD, and the Administrators will continue to monitor the position and take steps as appropriate.

Extension to the Administration

The Administrators made an application to the High Court to extend the Administration to 30 November 2015. The application was granted at a hearing on 23 October 2013.

Future reports

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

Signed:



DA Howell
Joint Administrator
Lehman Brothers UK Holdings Limited

AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers UK Holdings 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.

Section 2 Joint Administrators' actions to date

Background

LBUKH is the holding company for Lehman Brothers Holdings Plc and Lehman Brothers (PTG) Limited, both of which are in Administration. The Company principally acted to manage the flow of investment funds between these subsidiaries.

The book value of debtors at the date of Administration was c. \$45m.

The Administrators will also continue their work to realise the intercompany investments and debtors of LBUKH.

Administrators' actions to date

As previously reported, in October 2011, the Administrators 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. Pursuant to this agreement LBUKH has its guarantee claim against LBHI agreed at \$608.9m and its direct claim agreed at \$10,645.

On 3 October 2013, LBUKH received a fourth dividend of \$27.7m from LBHI. As at 28 March 2014, LBUKH has received dividends totalling \$97.2m.

On 3 April 2014, LBHI made a fifth distribution of \$30.1m. These funds were immediately converted into GBP to minimise the foreign exchange risk. These funds were received after the reporting date, so are not included in the attached receipts and payments account.

Further dividends from LBHI are expected to be received on a six monthly basis.

During the period, a first dividend of £4,830 from Mable Commercial funding Limited and a second dividend of £2,100 from Storm Funding Limited were also received.

Outstanding matters

As stated earlier in this report, the Administrators have applied to Court for permission to make a distribution to LBUKH's unsecured creditors. The Administrators will begin formally admitting claims once the Court gives permission to do so.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008
<i>Full name:</i>	Lehman Brothers UK Holdings Limited
<i>Trading name:</i>	Lehman Brothers UK Holdings Limited
<i>Registered number:</i>	02074637
<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) and AJ Rush (resigned 28/10/08).
<i>Company secretary:</i>	M Smith (resigned 25/01/10), P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in LBUKH
<i>Date of the Administration appointment:</i>	29 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.
<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 LBUKH's creditors as a whole than would be likely if LBUKH 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 any 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 four successive extensions to the Administration period to: 30 November 2010, 30 November 2011, 30 November 2013 and most recently 30 November 2015.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them. However, the most likely exit route from the Administration is dissolution, which would occur once the final distribution has been made to unsecured creditors of the Company.
<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 LBUKH's net property:</i>	There is no prescribed part, 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

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. In June 2013, subsequent approval was sought and received from LBUKH's creditors for the Administrators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The creditors also resolved that the Administrators may draw their time costs on account from time to time.

To date, the Administrators have drawn remuneration of £314,526 plus VAT in respect of total time costs incurred from the date of their appointment to 28 March 2014.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 September 2013 to 28 February 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £64,623 plus VAT, which comprises 181.41 hours at an average hourly rate of £356. Details of time costs incurred in earlier periods have been provided in earlier reports.

During the period remuneration of £145,686 has been paid, in relation to time costs incurred between 1 May 2011 and 31 December 2013.

Receipts and payments account

An account of the receipts and payments for the six months to 28 March 2014, together with a cumulative total since commencement of the Administration, is set out in Section 5.

Net receipts as at 28 March 2013 total approximately £61m.

Section 5 Receipts and Payments Account

	GBP (£)			USD (\$)		
	28-Sep-13	Movements in period	28-Mar-14	28-Sep-13	Movements in period	28-Mar-14
Receipts						
Dividend from LBHI	-	-	-	69,416,207	27,759,562	97,175,769
Intercompany debtors	3,120	6,930	10,050	-	-	-
Book debts	10,753	-	10,753	-	-	-
Recharge of tax function costs	32,886	-	32,886	-	-	-
Tax repayment	24,061	-	24,061	-	-	-
Interest	125,278	100,866	226,144	-	-	-
Total Receipts	196,098	107,796	303,894	69,416,207	27,759,562	97,175,769
Payments						
Legal fees	11,725	-	11,725	-	-	-
Payment for tax losses	3,535	-	3,535	-	-	-
Employee costs	1,781	-	1,781	-	-	-
Bank charges	8	-	8	47	40	87
IT costs	5,741	-	5,741	-	-	-
Joint Administrators' remuneration	168,840	145,686	314,526	-	-	-
Joint Administrators' category 1 disbursements	1,618	-	1,618	-	-	-
Loan to Lehman Brothers Limited in respect of VAT compliance costs	1,128	-	1,128	-	-	-
Input VAT	28,027	29,137	57,164	-	-	-
Total Payments	222,403	174,823	397,226	47	40	87
Net Position	(26,305)	(67,027)	(93,332)	69,416,160	27,759,522	97,175,682
Intracompany Transfer						
Payment	-	-	-	(69,415,100)	(27,759,500)	(97,174,600)
Receipt	44,024,123	17,222,136	61,246,259	-	-	-
Net Position	43,997,818	17,155,109	61,152,927	1,060	22	1,082
Cash Balances						
HSBC (Non-interest bearing)	118,624	(17,813)	100,811	1,060	22	1,082
Money Markets	43,879,194	17,172,922	61,052,116	-	-	-
Total Cash	43,997,818	17,155,109	61,152,927	1,060	22	1,082

Total Cash as at 28 March 2014 based on exchange rates on 28 March 2014 was £61,153,577

Funds are invested on the money markets in order to accrue interest and to manage risk.

Section 6 Joint Administrators' time costs for the period 1 September 2013 to 28 February 2014

Joint Administrators' time costs for the period 1 September 2013 to 28 February 2014

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	23.00	9,913	30.75	9,309	30.10	6,893	83.85	26,115
Administration and Planning	2.90	2,345	7.50	3,241	6.25	2,143	4.45	1,019	21.10	8,748
Creditors	-	-	-	-	9.75	3,510	0.12	27	9.87	3,537
Statutory and Compliance	0.60	524	15.85	6,904	19.45	6,954	12.00	2,548	47.90	16,930
Pensions	6.45	4,481	0.95	409	1.70	612	0.35	80	9.45	5,582
Tax and VAT	1.10	810	4.00	2,155	0.10	36	3.08	459	8.28	3,460
LBL Recharges	0.01	10	0.13	57	0.21	48	0.61	136	0.96	251
Grand Total	11.06	8,170	51.43	22,679	68.21	22,612	50.71	11,162	181.41	64,623

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	1075	* 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.
Director	680	990	
Senior manager	525	905	
Manager	444	545	
Senior Associate	370	410	
Associate/Support Staff	230	212	

Narrative of the Joint Administrators' time costs for the period 1 September 2013 to 28 February 2014

Accounting and treasury - £26,115

- Managing investments on the money market;
- Mitigating risk on investments;
- Reconciliation of bank accounts; and
- Undertaking receipts and payments of funds and coding of movements.

Administration and planning - £8,748

- Discussions regarding strategy for the Administration;
- Reviewing financial information and intercompany relationships; and
- Updating strategy documents.

Creditors - £3,537

- Updating list of creditors' claims; and
- Reviewing creditor claims submitted.

Statutory and compliance – £16,930

- Preparation of the Administrators' tenth progress report;
- Circulating progress report to creditors;
- Statutory filings at Companies House and Court;
- Preparing receipts and payments account;
- Preparing detailed remuneration summary;
- Managing the LBUKH database; and
- Liaising with Administrators on statutory issues.

Pensions - £5,582

- Consideration of appropriate strategy with regard to the potential pensions liability; and
- Liaising with legal advisors regarding pension's strategy.

Tax and VAT - £3,460

- Tax compliance;
- Dealing with tax and VAT queries; and
- VAT reconciliation and preparation of VAT returns.

LBIE recharges - £251

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

