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# ***Lehman Brothers UK Holdings Limited – In Administration***

Joint Administrators' progress  
report for the period 29 March to 28  
September 2015

22 October 2015

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

## **Introduction**

This is the 14th 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 their appointment, with particular focus on the progress made in the six months to 28 September 2015 ("the reporting period").

## **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 LBUKH's ordinary unsecured creditors.

## **Outcome for creditors**

On 2 May 2014, the Court gave LBUKH permission to agree and pay a dividend in respect of the claims of its ordinary unsecured creditors.

On 4 September 2014, the Administrators declared and paid a dividend of 100p in the £ to the Company's ordinary unsecured creditors.

Following the initial distribution, a further ordinary unsecured claim in the sum of £70k was settled in full. The liability in respect of this claim is shared with LBH, and the Administrators will shortly be submitting a claim against LBH for £35k, being half of the settlement amount.

On 16 February 2015, a first interim dividend of £50,000 was paid to the Company's subordinated creditor, Lehman Brothers Luxembourg Investments S.a.r.l.


## **Extension to the Administration**

The Administration is currently due to expire on 30 November 2015. The Administrators will shortly be making an application to Court to request a further extension of the Administration.

## **Future reports**

The Administrators will next report to creditors upon the conclusion of the Administration or in approximately six months, whichever is sooner.

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 bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>*

*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***

At the date of the Administrators' appointment, LBUKH was the holding company for Lehman Brothers Holdings plc ("LBH") 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.

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

In October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI"), in conjunction with other UK affiliates and certain other affiliates previously subject to Chapter 11 proceedings in the USA. Pursuant to this agreement, LBUKH had its guarantee claim against LBHI agreed at \$608.9m and its direct claim agreed at \$10.6k

On 2 April 2015, LBUKH received a seventh dividend of \$15.4m from LBHI. As at 28 September 2015, LBUKH has received dividends totalling \$165.4m.

Shortly after the reporting period, LBHI2 received an eighth distribution from LBHI of \$11.8m.

These funds were converted into GBP to minimise the foreign exchange risk.

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

Other distributions received by LBUKH during the period total £2.6k.

### ***Creditors' rights to surplus funds***

LBUKH's ordinary unsecured creditors have received 100p in the £ in respect of their admitted claims. A substantial surplus remains for the payment of statutory interest to the ordinary unsecured creditors and/or distributions to the Company's subordinated creditor.

### ***Outstanding matters***

Discussions are ongoing between the Administrators and the respective holders of the statutory interest and subordinated debt claims to reach a consensual settlement in relation to the order of priority of such payments and bring the estate to a close.

In the meantime, the Administrators continue in their work to realise value from LBUKH's intercompany investments and debtors.

## 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 I , 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 it is most likely that the Administrators will continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so on 2 May 2014). If this route is pursued, once the final distribution has been made they will apply for the dissolution of the Company.
<i>Estimated dividend for unsecured creditors:</i>	The Administrators declared and paid a dividend of 100p in the £ to ordinary unsecured creditors on 3 September 2014. On 16 February 2015, a first, interim dividend of 0.0047 p in the £ was declared paid to all known subordinated 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.

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

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

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 £757,395 plus VAT in respect of total time costs incurred from the date of their appointment to 30 August 2015.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 March 2015 to 30 August 2015, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £113,244 plus VAT, comprising 307.67 hours at an average hourly rate of £368.

During the reporting period, remuneration of £185,887 plus VAT has been paid in relation to time costs incurred between 1 December 2014 and 30 August 2015.

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

An account of the receipts and payments for the six months to 28 September 2015, together with a cumulative total since commencement of the Administration, is set out in Section 5.

Total cash as at 28 September 2015 is approximately £98m.

## Section 5 Receipts and Payments Account

	GBP Movements		USD Movements	
	28-Sep-15	28-Mar-15	28-Sep-15	28-Mar-15
	in Period	in Period	in Period	in Period
<b>Receipts</b>				
Dividend from LBHI	-	-	165,399,291	149,959,551
Dividend from LBH Plc	796,120	796,120	-	-
Intercompany debtors	110,488	107,908	-	-
Book debts	10,753	10,753	-	-
Recharge of tax function costs	32,886	32,886	-	-
Corporation Tax Refunds	6,405	6,405	-	-
Net VAT refund	-	-	-	-
Interest	647,656	480,089	-	-
<b>Total Receipts</b>	<b>1,604,308</b>	<b>1,434,161</b>	<b>165,399,291</b>	<b>149,959,551</b>
<b>Payments</b>				
Legal fees	82,486	49,491	-	-
Recharge of pension related legal costs	211,819	-	-	-
Corporation tax	85,000	-	-	-
Payment for tax losses	9,944	9,944	-	-
Employee costs	1,579	1,781	-	-
Bank charges	8	8	277	202
IT costs	5,741	5,741	-	-
Statutory Advertising	19,314	19,314	-	-
Pension costs	392,140	392,140	-	-
Settlement of late claiming creditor	70,000	70,000	-	-
Joint Administrators' remuneration	757,395	571,508	-	-
Joint Administrators' category 1 disbursements	1,618	1,618	-	-
VAT receivable	156,039	112,263	-	-
<b>Total Payments</b>	<b>1,793,083</b>	<b>1,333,808</b>	<b>277</b>	<b>202</b>
<b>Intracompany Transfers</b>				
Payment	-	-	(165,397,349)	(149,958,349)
Receipt	103,728,922	93,404,249	-	-
<b>Total receipts less total payments</b>	<b>103,728,922</b>	<b>93,604,602</b>	<b>1,665</b>	<b>1,000</b>
<b>Distributions</b>				
First distribution to ordinary unsecured creditors on 4 September 15	5,500,000	5,500,000	-	-
First distribution to subordinated creditors on 16 February 2015	50,000	50,000	-	-
<b>Total</b>	<b>97,990,148</b>	<b>88,034,602</b>	<b>1,665</b>	<b>1,000</b>
<b>Cash Balances</b>				
HSBC	965,451	681,546	1,665	1,000
Money market deposits	97,024,697	87,373,056	-	-
<b>Total Cash/Movements</b>	<b>97,990,148</b>	<b>88,034,602</b>	<b>1,665</b>	<b>1,000</b>

### Notes:

- (1) Total Cash as at 28 September 2015 based on exchange rates on 28 September 2015 was £97,992,342.
- (2) 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 March 2015 to 30 August 2015

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	29.80	14,445	69.10	18,521	39.70	9,104	138.60	42,070
Strategy and Planning	29.55	22,977	17.50	7,789	11.20	3,381	8.10	1,857	66.35	36,004
Creditors	-	-	0.65	280	0.10	36	-	-	0.75	316
Statutory and Compliance	1.70	1,500	11.25	5,013	38.85	10,432	17.45	4,003	69.25	20,948
Tax and VAT	3.80	4,066	2.75	1,590	20.00	6,609	1.75	339	28.30	12,604
LBIE Recharges	0.33	219	0.41	168	2.06	552	1.62	363	4.42	1,302
<b>Grand Total</b>	35.38	28,762	62.36	29,285	141.31	39,531	68.62	15,666	307.67	113,244
<b>Average Hourly Rate</b>		813		470		280		228		368

Current charge out rates	Business Recovery Services		Specialist	
	Max £/hr		Max £/hr	
	From 1 January 2015	From 1 July 2015	From 1 January 2015	From 1 July 2015
Partner	873	899	1,225	1,262
Director	765	788	1,076	1,108
Senior manager	512	527	905	932
Manager	431	444	660	680
Senior Associate	360	371	490	505
Associate/Support Staff	229	236	229	235

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 minimum unit for time charged by the Joint Administrators and their staff is 0.05 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.

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## ***Narrative of the Joint Administrators' time costs for the period 1 March 2015 to 30 August 2015***

### ***Accounting and Treasury - £42,070***

- Implementation of a new credit policy which extended the deposit duration of some of our counterparties (and therefore increased returns);
- System set up and preparation of documentation to institute new dealing counterparties;
- Completion of additional documentation for LBUKH's counterparties as a result of new banking regulations;
- Actively managing investments on the money market;
- Mitigating risk on investments;
- Due consideration of best strategy for dealing with investments;
- Reconciling bank accounts for the purposes of statutory reporting;
- Arranging receipts and payments of funds and coding of movements; and
- Monitoring flow of funds into the bank accounts.

### ***Strategy and Planning - £36,004***

- Consideration of most appropriate strategy for paying subordinated debt;
- Reviewing financial information including updating the Estimated Outcome Statement;
- Regular team meetings and discussions on case progression;
- Liaising with various teams on resource management and strategy going forward; and
- Updating strategy documents.

### ***Creditors - £316***

- Maintaining record of creditor claims; and
- Liaising with various creditors in respect of their claims.

### ***Statutory and Compliance – £20,948***

- Preparation of the Administrators' 13th progress report;
- Circulating progress report to creditors;
- Statutory filings at Companies House and Court;
- Preparation of receipts and payments account for reports to creditors;
- Preparing detailed remuneration summary;
- Preparation of the Administrators' six monthly review summary;
- Maintaining LBUKH's records;
- Liaising with Administrators on statutory issues; and
- Maintaining case files and the LBUKH database.

### ***Tax and VAT - £12,604***

- Preparation of post-appointment tax computations;
- Meetings and discussions with the tax team;
- Review of documents and discussions regarding tax provision; and
- Preparation of VAT returns.

### ***LBIE Recharges - £1,302***

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

