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

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

18 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 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 September 2013.

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

Due to the complexity of the intercompany relationships and the impact of insolvencies on intercompany debtor and creditor balances, the Administrators remain uncertain of the timing and quantum of any dividend to unsecured creditors.

Pension Liability

Following a hearing in May 2013, the Supreme Court issued its judgment on 24 July 2013 in a case brought by LBUKH and three other Lehman entities, holding that liability derived from a Financial Support Direction ("FSD") would constitute a provable debt in an administration.

The stay in the Upper Tribunal proceedings, which will determine whether LBUKH will have any liability under a FSD, has come to an end following the Supreme Court judgment. Directions for the future process have now been issued by the Upper Tribunal: LBUKH will be required to respond to the cases put forward by the Pensions Regulator and the pension scheme trustees in early 2014,

following which there will be a hearing in the Upper Tribunal.

The Administrators continue to monitor the pension issues closely.

Extension to the Administration

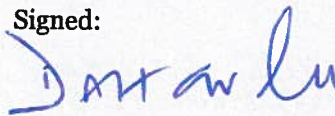
On the application of the Administrators, the High Court made an order to extend the period of the Administration to 30 November 2013.

The Administrators are in the process of applying to Court for a further extension to the Administration.

Future reports

The Administrators will next report to creditors in approximately six months or when the Administration comes to an end, 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 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.

Administrators' actions to date

On 11 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. The Plans of Reorganisation became effective on 6 March 2012 following approval from Court.

Pursuant to this agreement LBUKH had its guarantee claim against LBHI agreed at \$608,943,967 and its direct claim agreed at \$10,645.

LBUKH received a third dividend from LBHI of \$23.4m on 4 April 2013 and a fourth dividend of \$27.7m on 3 October 2013. To date, LBUKH has received dividends totalling \$97.2m.

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

Outstanding matters

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

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 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>	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 LBUKH's creditors of the Company 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 obtained formal confirmation from LBUKH's creditors that they may draw remuneration totalling £91,135 plus VAT for the period 1 May 2011 to 30 April 2013. To date, the Administrators have received approval to draw remuneration of £259,975 plus VAT from the date of their appointment to 30 April 2013 of which £168,840 plus VAT has been drawn.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 March 2013 to 31 August 2013, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £37,400 plus VAT, which comprises 107.24 hours at an average hourly rate of £348.75.

Receipts and payments account

An account of the receipts and payments for the six months to 28 September 2013, together with a cumulative total since commencement of the Administration, is set out in Section 5.

Net receipts as at 28 September 2013 total approximately £44m.

Section 5 Receipts and Payments Account

	28-Mar-13	GBP Movements in period	28-Sep-13	28-Mar-13	USD (\$) Movements in period	28-Sep-13
Receipts						
Dividend from LBHI	-	-	-	46,013,118	23,403,089	69,416,207
Intercompany debtors	-	3,120	3,120	-	-	-
Book debts	10,753	-	10,753	-	-	-
Recharge of tax function costs	32,886	-	32,886	-	-	-
Tax repayment	6,404	17,657	24,061	-	-	-
Interest	65,698	59,580	125,278	-	-	-
Total Receipts	115,741	80,357	196,098	46,013,118	23,403,089	69,416,207
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	-	47
IT costs	5,741	-	5,741	-	-	-
Joint administrators' remuneration	168,840	-	168,840	-	-	-
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	-	28,027	-	-	-
Total Payments	222,403	-	222,403	47	-	47
Net Position	(106,662)	80,357	(26,305)	46,013,071	23,403,089	69,416,160
Intracompany Transfer						
Payment	-	-	-	(46,011,100)	(23,404,000)	(69,415,100)
Receipt	28,671,600	15,352,523	44,024,123	-	-	-
Net Position	28,564,938	15,432,880	43,997,818	1,971	911	1,060
Cash Balances						
HSBC (Non-interest bearing)	97,739	20,885	118,624	1,971	(911)	1,060
Money Markets	28,467,199	15,411,995	43,879,194	-	-	-
Total Cash	28,564,938	15,432,880	43,997,818	1,971	(911)	1,060

Total Cash as at 28 September 2013 based on exchange rates on 27 September 2013 was £43,998,476

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 2013 to 31 August 2013

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	19.10	7,988	24.70	7,189	6.05	1,351	49.85	16,528
Administration and Planning	1.05	693	6.60	2,768	0.25	87	0.75	167	8.65	3,715
Asset Realisation	-	-	-	-	-	-	-	-	-	-
Creditors	2.00	1,676	-	-	-	-	-	-	2.00	1,676
Statutory and Compliance	3.00	2,415	0.60	254	23.45	5,971	9.00	1,984	36.05	10,624
Tax and VAT	1.60	1,393	4.45	2,346	3.30	792	0.40	57	9.75	4,588
LBL Recharges	0.03	20	0.20	84	0.26	72	0.45	93	0.94	269
Grand Total	7.68	6,197	30.95	13,440	51.96	14,111	16.65	3,652	107.24	37,400

Grade	Business Recovery Services		Specialist	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	898	1,027		
Director	639	932		
Senior manager	492	869		
Manager	414	634		
Senior Associate	346	389		
Associate/Support Staff	220	204		

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.

* 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 2013 to 31 August 2013

Accounting and treasury - £16,528

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

Administration and planning - £3,715

- Preparing for the Supreme Court hearing regarding the FSD;
- Discussions regarding strategy for the Administration;
- Reviewing financial information; and
- Updating strategy documents.

Creditors - £1,676

- Updating list of creditors claims: and
- Reviewing creditor claims submissions.

Statutory and compliance – £10,624

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

Tax and VAT - £4,588

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

LBL recharges - £269

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

