

Our Ref DJD/PAM/BLA/JET/N00239/

To the creditors

8 November 2016

Dear Sirs

Recovery and Reorganisation

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NDF Administration Limited - In Liquidation (the Company)

1 Introduction

1.1 Following the appointment of Martin Ellis and I as Joint Liquidators of the Company on 21 September 2012, in accordance with section 104A of the Insolvency Act 1986, and Martin Ellis' subsequent resignation on 27 June 2014, I now report on the progress of the liquidation for the year ended 20 September 2016 and attach:

- Appendix A, an account of my receipts and payments for the year ended 20 September 2016 and also for the whole liquidation to date
- Appendix B, a statement of the remuneration charged by the liquidator in the period 21 September 2015 to 20 September 2016 and a statement of expenses incurred in the period
- Appendix C, an analysis of time costs as required by Statement of Insolvency Practice 9
- Appendix D, an extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the liquidator (rule 4.49E)
- Appendix E, an extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the liquidator's remuneration or expenses if excessive (rule 4.131).

1.2 Please note that I am authorised by the Insolvency Practitioners Association to act as an insolvency practitioner.

2 Statutory information

2.1 The Company's statutory details are as follows:

Registered number 01955637

Registered office c/o Grant Thornton UK LLP,
30 Finsbury Square, London, EC2P 2YU

3 Progress report
Assets

3.1 No statement of affairs has been prepared for the liquidation. The only asset transferred to the Company from the administration estate was a cash balance of £155,051 and the potential recoveries of certain taxes previously paid by the Company.

- 3.2 As explained in my previous progress report, tax refunds from HMRC were received in the sum of £13,585 and £1,060,269 following a detailed review of the Company's historical tax affairs.

Liabilities

- 3.3 As you are aware, the Company's insolvency arose as a result of claims made by investors that the Company's literature, in respect of structured products in which Lehman Brothers (Lehman) entities acted as counter-party, did not adequately warn investors as to the risks of counter-party failure.

Creditors

- 3.4 You will also be aware that, in dealing with investors' claims for compensation, the Financial Services Compensation Scheme (FSCS) has drawn a distinction between 'capital secure' and 'capital at risk' products. The legal advice I have received from Counsel has drawn no such distinction. Therefore, I consider that investors in both plans are unsecured creditors. This results in significant unsecured creditors arising as a result of the failure of Lehman entities, amounting to a theoretical maximum of c£36m.
- 3.5 Over and above investor claims, I have received unsecured trade claims totalling £157,962. The likelihood of sufficient funds being available to facilitate a dividend to the unsecured creditors in this case is unknown. The protracted nature of the winding up of the various Lehman Brothers estates, to which the Company is intrinsically linked, and which are likely to continue for the foreseeable future, reduces the possibility of residual funds being available for the unsecured creditors.
- 3.6 This does not affect the future recovery and distribution of dividends received from the Lehman Brothers estates, which are ring-fenced client monies and will continue to be distributed to affected investors in due course.
- 3.7 There are no preferential creditors in this matter.

4 Lehman backed financial products

- 4.1 As explained previously, investors in Lehman backed financial products are also unsecured creditors in the following Lehman entities:
- The Lehman entities providing the underlying securities on which the value of the investments was based. This could be one or a combination of three entities in respect of each plan: Lehman Brothers Securities N.V. (LBS), Lehman Brothers Treasury Co B.V. (LBT) and Lehman Brothers Bankhaus AG (LBBAG); and
 - Lehman Brothers Holdings Inc (LBHI) on the grounds that LBHI guaranteed all securities issued by LBS, LBT and LBBAG.
- 4.2 Please note that depending on how the claims are dealt with by the respective Lehman entities the direct creditor may be the legal holder of the issued security. However, investors should be aware that this does not affect their position as the ultimate beneficial creditor of any subsequent distribution from Lehman entities.

Plans invested in LBS and LBT Securities

- 4.3 Some of you will have now received the first, second, third and fourth interim dividend representing distributions received from the respective trustees of LBS, LBT and LBHI. For those investors who did not receive a distribution, I advise that you either failed to return a completed questionnaire sent to the investors of the Company on 19 June 2013 and again on 12 August 2016 which enabled me to determine your eligibility for a distribution, you have previously been compensated by the FSCS, or your plan was invested in LBBAG issued securities (see below).

Lehman Entities distribution summary

- 4.4 Please find detailed below a summary of distributions received by the Company as at the date of this report:

- LBHI: £8,502,612 (representing all LBHI distributions 1-9)
- LBT: £9,091,423 (representing all LBT distributions 1-7)
- LBS: £3,503,315 (representing all LBS distributions 1-5)

- 4.5 To date I have sought to return available funds of £19,543,906 (less costs) to the respective investors, broken down as follows:

LBHI: £7,751,906 (representing LBHI distributions 1-7)
LBT: £8,288,685 (representing LBT distribution 1-5)
LBS: £3,503,315 (representing LBS distribution 1-5)

- 4.6 The balance which amounts to £1,553,444, represents distributions recently received for which I am currently preparing a fifth distribution.

Claims in LBBAG

- 4.7 LBBAG has not been prepared to correspond with the Joint Administrators and is only willing to speak directly with the individual investors. It was the Joint Administrators' understanding at the time that this affects c80 investors and the Directors of the Company have previously advised that all of these individuals have been contacted by the Company prior to the Joint Administrators' appointment and have lodged claims in the LBBAG insolvency.

Action to be undertaken

- 4.8 I will continue to liaise with LBHI and LBT to monitor the timeframe and quantum of likely distributions and to communicate to investors.
- 4.9 In relation to monies in hand, I have instigated proceedings for calculating and distributing these monies to investors, by way of my fifth distribution, which I anticipate will be completed within 4-6 weeks.

- 4.10 As regards likely future distributions, please be advised that the Trustee of LBS has advised that no further distributions are anticipated. As such, following this distribution, investments associated with this company will not receive any further distributions. We do anticipate receiving further distributions from both LBT and LBHI (the US parent company guaranteeing the securities), albeit we are not currently in a position to confirm the likely timing or quantum of these distributions.

Non-responder funds

- 4.11 As you will be aware from previous reports, I currently hold c£1.8 million of funds in client accounts relating to matured investor funds that have never been claimed. I have endeavoured to return those funds to matured investors where possible.
- 4.12 Furthermore, I advise that I am continuing to liaise with my legal advisors with respect to determining the appropriate way of dealing with non-responder funds.

5 Remuneration

Joint Administrators' remuneration and expenses

- 5.1 At a meeting of creditors held on 23 December 2009, a resolution was passed approving the basis of remuneration to be time costs in relation to work completed by the Joint Administrators and their staff.
- 5.2 The receipts and payments account attached at Appendix A details that the sum of £511,813 with respect to the time incurred by the Joint Administrators has been billed during the liquidation period.
- 5.3 I advise that given both the timing of approval received for the Joint Administrators' remuneration and the Company subsequently being placed into liquidation, the Joint Administrators' remuneration was billed during the liquidation period and accordingly appears in the receipts and payments disclosed in Appendix A.
- 5.4 In addition, £1,473 of expenses was drawn during the liquidation period.

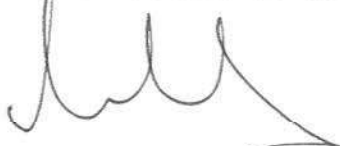
Liquidator's remuneration and expenses

- 5.5 In accordance with the Statement of Insolvency Practice (SIP 9), I attached at Appendix C a summary of my liquidation time costs incurred in the sum of £441,987 during the period 21 September 2012 to 20 September 2016 and a summary of tasks completed by the Liquidator and his staff.
- 5.6 The amount shows total time costs representing 1,752 hours at an average of £252 per hour.
- 5.7 Total time costs incurred for this period, 21 September 2015 to 20 September 2016, are £40,314.
- 5.8 Time is charged in units of 6 minutes. Background information regarding the fees of liquidators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees').

6 Contact

- 6.1 Should you require any further assistance, please contact Will Bowden at the address detailed at the start of this report, by telephone on 0161 953 6392, or by email at will.j.bowden@uk.gt.com.

Yours faithfully
for and on behalf of NDF Administration Limited

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

David J Dunckley
Liquidator

Enc

A Abstract of the liquidator's receipts and payments

NDF ADMINISTRATION LIMITED - IN LIQUIDATION (THE COMPANY) ACCOUNT OF RECEIPTS AND PAYMENTS FOR THE PERIOD 21 SEPTEMBER 2012 TO 20 SEPTEMBER 2016		
	Period from 21 September 2015 to 20 September 2016	Total to 20 September 2016
RECEIPTS		
Administration Surplus	-	155,052
Tax Refund	-	13,586
Bank/ISA Interest Gross	112	949
Misc Refunds	-	80
Corporation Tax Refund	(12)	1,058,983
TOTAL RECEIPTS	100	1,228,649
PAYMENTS		
Direct expenses	-	3,010
Bank Charges	-	126
Tax	-	1,279
Joint Administrators' Fees	-	511,813
Joint Administrators' Expenses	-	1,473
Liquidators' Fees	-	236,523
Liquidators' Expenses	-	1,435
Agents Fees	-	1,687
Legal Fees	1,225	26,512
Professional Fees	-	13,048
Creditor Portal and Helpline Expenses	1,200	5,925
Stationery & Postage	4,099	7,055
Statutory Advertising	-	564
VAT Irrecoverable	1,305	158,644
TOTAL PAYMENTS	7,829	969,094
BALANCE IN HAND AT 20 SEPTEMBER 2016		259,555

Note: All expenses solely attributable to individual investors' Lehman distributions have been reallocated as costs to these Lehman distributions, and not as costs to the Company and its general creditors.

**B Remuneration charged and expenses incurred by the liquidator
in the period**

	Charged/incurred in period 21/09/2015 to 20/09/2016	Cumulative charged/incurred to 20/09/2016	Of which paid to 20/09/2016
	£	£	£
Liquidator's fees	40,315	441,987	236,523
Expenses		1,435	1,435
Legal fees			
Temple Bright LLP	1,225	26,512	26,512
Agents – Former plan administrators			
OPAL		2,509	2,509

Note All expenses solely attributable to individual investor Lehman distributions have been reallocated as costs to these Lehman distributions, and not as costs to the Company and its general creditors.

C SIP 9 information

Introduction

The following information is provided in connection with the liquidators' remuneration and disbursements in accordance with SIP 9.

Explanation of Grant Thornton UK LLP charging and disbursement recovery policies

Time costs

All partners and staff are charged out at hourly rates appropriate to their grade, as shown on the attached schedule. Details of the hourly charge-out rates are made available to creditors or committees at the time of fixing the basis of our fees. Support staff (ie secretaries, cashiers and filing clerks) are charged to the case for the time they work on it.

	From 01/07/10	From 01/07/11	From 01/07/12	From 01/07/13	From 01/07/14 to date
	£	£	£	£	£
Partners up to	535	560	580	600	740
Managers up to	405	425	440	455	470
Administrators up to	285	300	310	320	345
Assistants and support staff up to	195	205	210	220	230

Disbursements

Out of pocket expenses are charged at cost and mileage is charged at standard rates. VAT is added to disbursement charges as necessary.

NDF Administration Limited - In Liquidation (the Company)

SIP 9 Time Cost Analysis from 21 September 2012 to 20 September 2016

Task Description	Partner/Director		Manager		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Administration and Planning	12.76	7,895.40	142.80	56,379.00	630.86	164,413.35	572.41	122,384.33	1,358.83	351,072.08
Creditors	4.00	1,860.00	21.15	7,995.00	214.30	50,575.50	107.15	16,189.00	346.60	76,619.50
Realisation of Assets	-	-	43.10	13,607.00	2.00	440.00	1.60	248.00	46.70	14,295.00
Grand Total	16.76	9,755.40	207.05	77,981.00	847.16	215,428.85	681.16	138,821.33	1,752.13	441,986.58
Average hourly rates by grade £ per hour		582.06		376.63		254.30		203.80		252.26

SIP 9 Time Cost Analysis from 21 September 2015 to 20 September 2016

Task Description	Partner/Director		Manager		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Administration and Planning	0.50	307.50	17.20	6,266.00	100.26	23,681.40	50.40	7,652.50	168.36	37,907.40
Creditors			3.25	1,492.50	1.25	362.50	6.60	552.00	11.10	2,407.00
Realisation of Assets									-	-
Grand Total	0.50	307.50	20.45	7,758.50	101.51	24,043.90	57.00	8,204.50	179.46	40,314.40
Average hourly rates by grade £ per hour		615.00		379.39		236.86		143.94		224.64

Administration & Planning

Includes case planning; complying with statutory duties; general correspondence; meetings

Creditors

Includes correspondence with preferential and unsecured creditors; pensions and employees and members

Realisation of Assets

Includes dealing with the realisation of the Company's assets

**D An extract from the Insolvency Rules 1986 relating to
creditors' rights to request additional information from the
liquidator**

Rule 4.49E edited for application to a progress report in a creditors' voluntary liquidation

- (1) If
 - (a) within the period mentioned in paragraph (2)
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (b) with the permission of the court upon an application made within the period mentioned in paragraph (2), any unsecured creditor makes a request in writing to the liquidator for further information about remuneration or expenses set out in the progress report, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of a matter which was previously included in a progress report.
- (2) The period referred to in paragraph (1)(a) is 21 days of receipt of the progress report.
- (3) The liquidator complies with this paragraph by either -
 - (a) providing all of the information asked for, or
 - (b) so far as the liquidator considers that
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or
 - (iii) the liquidator is subject to an obligation of confidentiality in respect of the information,giving reasons for not providing all of the information.
- (4) Any creditor, who need not be the same as the creditor who requested further information, may apply to the court within 21 days of -
 - (a) the giving by the liquidator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),and the court may make such order as it thinks just.
- (5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 4.131(1B) by such further period as the court thinks just.

**E An extract from the Insolvency Rules 1986 relating to
creditors' rights to challenge the liquidator's remuneration or
expenses if excessive**

Rule 4.131

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).
- (1A) Application by a creditor may be made on the grounds that -
 - (a) the remuneration charged by the liquidator,
 - (b) the basis fixed for the liquidator's remuneration under Rule 4.127, or
 - (c) expenses incurred by the liquidator,is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.
- (1B) The application must, subject to any order of the court under Rule 4.49E(5), be made no later than 8 weeks (or in a case falling within Rule 4.108, 4 weeks) after receipt by the applicant of the progress report or the draft report under Rule 4.49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").
- (2) The court may, if it thinks that no cause is shown for a reduction, dismiss the application; but it shall not do so unless the applicant has had an opportunity to attend the court for a hearing, of which he has been given at least 5 business days' notice, but which is without notice to any other party.
If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.
- (3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders -
 - (a) an order reducing the amount of remuneration which the liquidator was entitled to charge
 - (b) an order fixing the basis of remuneration at a reduced rate or amount
 - (c) an order changing the basis of remuneration
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation
 - (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specifyand may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation.