

Fourth progress report to members and creditors

Private & Confidential

20 May 2016

Company	Wood Street Investments Limited
Court reference	Croydon County Court No: 1557 of 2010
Registered office	Benson House, 33 Wellington Street, Leeds, LS1 4JP
Company number	02225861
Type of Insolvency	Compulsory Liquidation
Date of Appointment & Appointees	Ian C Oakley-Smith (appointed 20 November 2012) Derek Howell (appointed 20 November 2012 – resigned 22 March 2013) J Guy Parr (appointed 22 March 2013)
Address	PricewaterhouseCoopers LLP Benson House, 33 Wellington Street, Leeds, LS1 4JP
Dividend Prospects	Current estimate
	p in £
Preferential	n/a
Unsecured	80

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Wood Street Investments Limited – in compulsory liquidation (“the Company”)
In the Croydon County Court No: 1557 of 2010
Fourth Annual Progress Report to Members and Creditors

Introduction

A winding-up order was made on 22 September 2010 based on a creditor’s petition

Ian Oakley-Smith and Derek Howell were originally appointed as Joint Liquidators on 20 November 2012 by the Secretary of State. Following Mr Howell’s retirement, and by an order of the Court dated 22 March 2013, Julian Guy Parr was appointed as Joint Liquidator to ensure continuity in the administration of the estate.

This is the Joint Liquidators’ fourth annual progress report to members and all known creditors.

Statement of affairs

The following assets and liabilities were disclosed to the Official Receiver -

	£
Assets	Nil
Liabilities	
Crown departments	(63,281,355)
Estimated deficiency as regards creditors	(63,281,355)
Issued and called up share capital	(145,706,592)
Estimated deficiency as regards members	(208,987,947)

Receipts and payments

A receipts and payments account, as reconciled with that which is held by the Secretary of State in respect of the winding up is enclosed at Appendix 1.

Assets

The Joint Liquidators have dealt with the following assets to date -

Book debts

The Company is a creditor of Lehman Brothers Holdings Inc (“LBHI”) in the sum of \$276,825,598.24. This claim was agreed by the Official Receiver with the administrators of LBHI prior to our appointment.

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During the period of this report further distributions have been received, as follows, from the administrators of LBHI

Distribution	£ / Sterling
%	
2.59	4,817,217.65
1.097	3,596,923.10
	<hr/>
	<u>8,414,140.75</u>

This brings the total distributions received to £52,334,773.39.

A ninth distribution of 0.548% totalling £1,053,826.21 has also been made by the administrators of LBHI on 1 April 2016, however this was not received within the period covered by this report

Further distributions are expected to be made by LBHI in October and April of each year, however we do not know at this stage how many further distributions will be made

Liabilities

Unsecured claims of £63,559,678.61 have been received

A dividend has not yet been paid to creditors as the joint liquidators have been investigating the potential recovery of the Company's liabilities under an indemnity and a guarantee detailed below

Indemnity/Guarantee

In our last report, we confirmed that legal advice obtained indicated we were unlikely to bring a successful claim under the indemnity or the guarantee that was put in place following the acquisition of the Company in November 2007 by Lehman Brothers Helsinki Holdings sarl. However, we have been considering if we could increase our claim in LBHI to take into account the Company's liabilities. In order to do so, we would have to demonstrate that any additional claim against LBHI was of a similar nature to the original claim in LBHI. After investigating the background to our claim in LBHI and that of the unsecured claims received in the Company, further legal advice received suggests we would be unable to amend our claim in LBHI. Consequently, we have now started to review the unsecured claims for dividend purposes.

Joint Liquidators' remuneration

You may recall that at a meeting of creditors held on 19 July 2013 a resolution was passed to enable the Joint Liquidators to draw remuneration by reference to time properly given by them and their staff in attending to the matters arising in the winding up.

Details of the time incurred to 22 March 2015 were provided in our last progress report. In the period of this report a total of 114.85 hours has been spent in dealing with the liquidation at an average hourly rate of £305.81, making a total of £35,121.85. Details of the costs incurred in this period, by work



category, are attached at Appendix 2A, along with an explanation of the work carried out where time costs in the period have exceeded £1,000 on any aspect of the assignment. Fees totalling £101,884.57 have been drawn to date against total time costs of £113,755.17.

It has been the Joint Liquidators' policy to delegate the routine administration of the liquidation to junior staff in order to maximise the cost effectiveness of the work performed. These staff have been supervised by senior staff and the Joint Liquidators. Any matter of particular complexity or significance that has required responsibility of an exceptional kind has also been dealt with by senior staff and the Joint Liquidators.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Each grade of staff is allocated an hourly charge out rate which is reviewed from time to time. Work undertaken by cashiers, support and secretarial staff is charged for separately and is not included in the hourly rates charged by partners or other members of staff. Time is charged by reference to actual work carried out on the assignment in 6 minute units. The minimum time chargeable is 3 minutes (i.e. 0.5 units).

In common with all professional firms, scale rates increase from time to time over the period of the administration of each insolvency case. PricewaterhouseCoopers LLP, or any successor firm, reserves the right to change the rates and grade structure. Following the Joint Liquidators' previous annual report the charge out rates were increased on 1 July 2015. Full details of the charge out rates charged to this case from this date are included at Appendix 2B.

Specialist departments within PricewaterhouseCoopers LLP, such as tax, VAT, property and pensions, sometimes charge a small number of hours should the Joint Liquidators require their expert advice. Their rates vary, however the figures given at Appendix 2B provide an indication of the maximum rate per hour. In this particular case, due to the complexities of the tax position and connection to the Lehman Group of companies, our tax specialists have been significantly involved in establishing the guarantee/indemnity position. This is reflected in the level of time charged to tax/VAT in appendix 2A.

Joint Liquidators' disbursements

The Joint Liquidators' current disbursements policy, as approved by the creditors, is as follows -

- a) Photocopying for circulars or any other bulk copying is charged at 3p per sheet,
- b) Mileage – this is reimbursed at a maximum of 71p per mile (up to 2,000cc) and 93p per mile (over 2,000cc)

The Joint Liquidators have not incurred any expense in respect of photocopying and mileage during the period of this report.

All other disbursements will be or have been reimbursed as cost and are detailed at Appendix 3.



To help you understand the way in which our remuneration is arrived at, a creditors' guide to fees issued by our professional body is available at

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-liquidators-fees-final.pdf>

This includes details on the rights of creditors and members to request further information, pursuant to Rule 4 49E of the Insolvency Rules 1986 ("IR86"), and also the rights of creditors in respect of any claim that the Joint Liquidators' remuneration and disbursements are excessive, pursuant to Rule 4 131 IR86

A handwritten signature in black ink, appearing to read 'I C Oakley-Smith'.

Handwritten initials 'IC' in black ink, positioned to the left of the name.

I C Oakley-Smith
Joint Liquidator

Licensed in the United Kingdom to act as an insolvency practitioners by the Institute of Chartered Accountants in England and Wales *The joint liquidators 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 Liquidators 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 liquidation*



Appendix 1

Wood Street Investments Limited – in compulsory liquidation Summary of receipts and payments for the period 23 March 2015 to 22 March 2016

Appendix 1			
Wood Street Investments Limited- in compulsory liquidation Summary of receipts and payments for the period 23 March 2015 to 22 March 2016			
	20 November 2012 to 22 March 2015	23 March 2015 to 22 March 2016	TOTAL
	£	£	£
Receipts			
Book debts	13,920,632.64	8,411,140.75	52,334,773.39
Corporation tax refund	10,669.61	4,166.94	14,836.55
Bank interest	226,328.13	223,207.84	449,535.97
TOTAL RECEIPTS	44,157,630.38	8,641,515.53	52,799,145.91
Payments			
Official Receiver's debit balance	1,235.00	-	1,235.00
Petition costs	1,515.00	-	1,515.00
Cover schedule costs	1,290.00	-	1,290.00
Statutory advertising	150.74	-	150.74
Legal fees	247.18	8,538.64	8,785.82
Postage, stationery & printing	15.50	-	15.50
Office holders fees	31,700.00	67,184.57	101,884.57
Office Holders Expenses	-	867.52	867.52
Bank charges	198.00	88.00	286.00
DTI cheque fees/ISA costs	12.95	0.30	13.25
Secretary of State fees (Ad Valorem)	80,000.00	-	80,000.00
Tax deducted from bank interest	15,265.62	44,611.56	89,907.18
Irrecoverable VAT	7,231.24	15,318.15	22,549.39
TOTAL PAYMENTS	171,861.23	136,638.74	308,499.97
BALANCE AT INSOLVENCY SERVICES ACCOUNT, AS AT 2 MARCH 2016 *	43,985,769.15	8,504,876.79	32,490,645.94
* Balance held in an interest bearing account with the ISA			

Wood Street Investments Limited- in compulsory liquidation

Analysis of time costs for the period from 23 March 2015 to 22 March 2016

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
1 Strategy & Planning	-	0.70	1.20	2.30	4.55	0.70	0.30	9.75	2,614.85	268.19
2 Assets	-	0.20	-	7.75	0.95	0.10	-	9.00	2,906.75	322.97
3 Creditors	-	-	-	0.25	-	-	-	0.25	85.00	340.00
4 Accounting and taxation	-	-	-	6.45	3.30	5.60	-	15.35	3,698.50	240.94
5 Statutory and compliance	0.20	0.30	1.95	11.10	0.60	15.60	-	29.75	7,366.75	247.62
6 Litigation	2.20	0.20	-	7.30	33.30	0.25	7.50	50.75	18,450.00	363.55
Total for the period	2.4	1.4	3.2	35.2	42.7	22.3	7.8	114.85	35,141.85	305.81
Brought forward at 22 March 2015								233.03	78,633.42	
Total								347.88	113,755.17	



Appendix 2A continued

Wood Street Investments Limited – in compulsory liquidation Summary narrative of our work done in the period

Strategy & Planning

- Team meetings to discuss resolution of outstanding matters and case progression,
- Joint Liquidators' review of case strategy,
- General correspondence,
- Managing case diary events, dealing with case prompts, and
- Maintenance of case files

Assets

- Liaising with administrators of debtor company,
- Receiving distributions from debtor company, and
- Reviewing legal advice received re tax deed/guarantee,
- Reviewing files re nature of claim in LBHI,
- Review, completion and submission of tax form to enable our claim to be eligible for payment on future scheduled distributions
- Updating Joint Liquidators on LBHI claim position

Accounting and treasury

- Bank reconciliations,
- Processing payments via the Insolvency Services Account,
- Posting receipts received into the Insolvency Services Account,
- Reviewing case financials,
- Maintenance of internal accounting systems; and
- Consideration of investment of funds

Statutory & Compliance

- Team meetings to discuss preparation of annual report,
- Annual reporting preparation, review and submission,
- Preparation of periodic case reviews,
- Dealing with case prompts,
- Joint Liquidators' review of case (as required by licensing body), and
- Managing all statutory requirements

Tax/VAT/Pensions

- Internal discussions and meetings with PwC tax team re, tax issues and billing,
- Liaising with PwC tax team re claim in LBHI, tax returns & billing,
- Generating receipts and payments account/nominal analysis in preparation for tax returns,
- Internal discussions and meetings regarding the indemnity/guarantee issue,
- Seeking legal advice, discussions with solicitors and considering the advice internally;
- Tax calculations and returns for y/e November 2014 updates
- Reviews and updates regarding tax costs,
- Internal discussions and meetings with PwC tax team re, latest tax form to enable our claim to be eligible for payment on future scheduled distributions
- Tax calculations and returns for y/e November 2015 calculating, drafting,
- Reviewing of claim from HM Revenue & Customs



Appendix 2B

Wood Street Investments Limited – in compulsory liquidation Hourly rates applicable from 23 March 2015 to 22 March 2016

23 March 2015 to 30 June 2015

	£/hr
Partner	575
Director	480
Senior Manager	415
Manager	330
Senior Associate	250
Senior Associate unqualified	180
Associate	160
Secretarial	115
Support	85

1 July 2015 to 22 March 2016

	£/hr
Partner	590
Director	490
Senior Manager	425
Manager	340
Senior Associate	255
Senior Associate unqualified	185
Associate	165
Secretarial	87

Occasionally it may be necessary to seek advice from specialist departments within PricewaterhouseCoopers LLP, such as tax and pensions, although this does not arise very often, and certainly not in every case. On those occasions where it is necessary to seek their expert advice, they may charge a small amount of time to the case concerned. Their rates may vary, and might be different from those rates shown above, however, the figures given below provide an indication of their maximum current rate per hour. In this particular case, due to the complexities of the tax position and connection to the Lehman Group of companies, our tax specialists have been significantly involved in establishing the guarantee/indemnity position. This is reflected in the level of time charged to tax/VAT in appendix 2A.

	£/hr
Partner	1,190
Director	1,095
Senior Manager	920
Manager	665
Consultant	490
Assistance Consultant	240
Support/Secretarial	140



**Wood Street Investments Limited – in compulsory liquidation
Joint Liquidators' disbursements**

The following table shows the approved policy for charging different categories of expenses together with the costs incurred in the period

Category	Policy	From 23 March 2015 to 22 March 2016 £
1	All disbursements not falling under Category 2 are recharged at cost	316.08
2	Photocopying - at 3p per sheet copied, only charged for circulars to creditors and other bulk copying	-
2	Mileage - at a maximum of 71p per mile (up to 2,000cc) or 93p per mile (over 2,000cc)	-
	Total for the period	316.08

Professional advisors

On this assignment the Joint Liquidators have used the professional advisors listed below

Service provided	Name of firm	Reason selected	Basis of fee	Fee paid in period (£)
Legal advice	Linklaters LLP	Expertise	Time cost	Nil

The Joint Liquidators' choice was based upon their perception of the advisers' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them. The Joint Liquidators have reviewed the fees charged and are satisfied that they are reasonable in the circumstances of the case.

Statement of expenses from 23 March 2015 to 22 March 2016

Expenses incurred	Unpaid expenses as at 22 March 2015 £	Expenses incurred in this period £	Expenses paid in this period £	Unpaid expenses as at 22 March 2016 £
Joint Liquidator's time costs	43,933.32	35,121.85	67,184.57	11,870.60
Joint Liquidator's expenses	687.59	316.08	867.52	136.15
Legal fees & expenses	8,538.64	-	8,538.64	-
Bank charges	-	88.00	88.00	-
DTI cheque fees / ISA costs	-	0.30	0.30	-
Irrecoverable VAT	-	15,318.15	15,318.15	-
*Tax deducted from bank interest	-	44,641.56	44,641.56	-
Total	53,159.55	95,485.94	136,638.74	12,006.75

* In the period since 22 March 2015, we have submitted a tax return for the year ended 19 November 2015. This resulted in a tax charge arising in the sum of £789.14 which has since been made by the liquidators, however this was not paid within the period covered by this report.