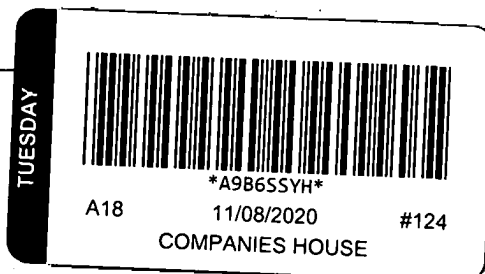


# AM10

## Notice of administrator's progress report



Companies House



<b>1</b>	<b>Company details</b>
Company number	0 5 9 5 7 8 7 8
Company name in full	LB Holdings Intermediate 2 Limited

→ Filling in this form  
Please complete in typescript or in  
bold black capitals.

<b>2</b>	<b>Administrator's name</b>
Full forename(s)	Gillian Eleanor
Surname	Bruce

<b>3</b>	<b>Administrator's address</b>
Building name/number	PricewaterhouseCoopers LLP
Street	7 More London Riverside
Post town	London
County/Region	
Postcode	S E 1 2 R T
Country	United Kingdom

<b>4</b>	<b>Administrator's name ①</b>
Full forename(s)	Derek Anthony
Surname	Howell

① Other administrator  
Use this section to tell us about  
another administrator.

<b>5</b>	<b>Administrator's address ②</b>
Building name/number	PricewaterhouseCoopers LLP
Street	7 More London Riverside
Post town	London
County/Region	
Postcode	S E 1 2 R T
Country	United Kingdom

② Other administrator  
Use this section to tell us about  
another administrator.

# AM10

## Notice of administrator's progress report

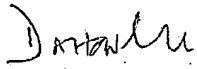
### 6 Period of progress report

From date	d 1 d 4	m 0 m 1	y 2 y 0 y 2 y 0	
To date	d 1 d 3	m 0 m 7	y 2 y 0 y 2 y 0	

### 7 Progress report

<input checked="" type="checkbox"/> I attach a copy of the progress report	
--	--

### 8 Sign and date

Administrator's signature	Signature X  X	
Signature date	d 1 d 0	m 0 m 8 y 2 y 0 y 2 y 0

# AM10

## Notice of administrator's progress report



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Diane Adebawale

Company name PricewaterhouseCoopers LLP

Address 7 More London Riverside

Post town London

County/Region

Postcode

S E 1 2 R T

Country United Kingdom

DX

Telephone + 44 (0) 7583 5000



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



### Important information

All information on this form will appear on the public record.



### Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.



### Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

## Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**  
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①  
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**  
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**  
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by \*

### 1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:

- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

### 2 Insolvency practitioner's name

Full forename(s) Russell

Surname Downs

### 3 Insolvency practitioner's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

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- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

## 2 Insolvency practitioner's name

Full forename(s) Ian David

Surname Green

## 3 Insolvency practitioner's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

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Name and address of insolvency practitioner

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- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

### 2 Insolvency practitioner's name

Full forename(s) Edward John

Surname Macnamara

### 3 Insolvency practitioner's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

# ***LB Holdings Intermediate 2 Limited – In Administration***

**Joint Administrators' progress  
report for the period 14 January  
2020 to 13 July 2020**

**10 August 2020**

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## **Reliance on data:**

***We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment.***

***LB Holdings Intermediate 2 Limited, the Administrators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon this report.***



# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the 23rd progress report by the Joint Administrators (the "Administrators") of LB Holdings Intermediate 2 Limited ("LBHI2" or the "Company").

This report provides an update on the work the Administrators have undertaken since their appointment, with particular focus on the progress made in the six months to 13 July 2020 (the "Reporting Period").

## Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and continue to manage the Administration in accordance with the proposals approved by creditors.

## Outcome for creditors

### Unsubordinated creditors

Creditors may recall that on 15 June 2017, the Court granted the Administrators permission to make distributions to the Company's unsecured creditors. As reported previously, the claims of unsubordinated, unsecured creditors have been paid in full. Further information is provided in Section 2.

### Subordinated creditors

The Company has received claims from two creditors totalling c.£5.8bn which are, on their terms, subordinated to the claims of other unsecured creditors. These claims have only become entitled to receive distributions now that the claims of the unsubordinated, unsecured creditors have been paid in full.

As previously reported, the Administrators have been able to make initial distributions of £44.7m and £160.0m. On 3 July 2020 the High Court delivered its judgment on the Priority Application (as defined below) following a hearing in November 2019 (the "Priority Application High Court Judgment"). Further details regarding the initial

distributions, and the Priority Application High Court Judgment, are described in Section 2.

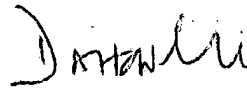
## Extension to the Term of Office

The Administrators' term of office is due to expire on 30 November 2020. The Administrators intend to make an application to Court to request a further, two-year extension in order to continue to pursue the objective of the Administration and realise the remaining assets.

## Future reports

The Administrators' next progress report to creditors will be sent in approximately six months.

Signed:



DA Howell  
Joint Administrator  
LB Holdings Intermediate 2 Limited

DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara were appointed as Joint Administrators of LB Holdings Intermediate 2 Limited to manage its affairs, business and property as agents without personal liability. The Joint Administrators 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 may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the [www.pwc.co.uk](http://www.pwc.co.uk) website or by contacting the Joint Administrators.

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## ***Section 2 Joint Administrators' actions to date***

### ***Realisations***

#### ***Lehman Brothers International (Europe)***

Creditors may recall that in 2014 the Company entered into the Wentworth Joint Venture ("Wentworth") with companies managed by Elliot Management Corporation and King Street Capital Management L.P., such that, amongst other things, the Company's claims into the estate of Lehman Brothers International (Europe) (in administration) ("LBIE") were transferred into Wentworth. The Company retains an interest in Wentworth. To date, the Company has received the following sums:

- £247.4m in September 2018;
- £214.0m in March 2019;
- £30.2m in July 2019;
- £22.5m in November 2019; and
- £121.8m in February 2020.

During the Reporting Period, LBIE paid further distributions to Wentworth such that all of LBIE's admitted claims, including Wentworth in respect of the subordinated debt held in Wentworth, have now been fully repaid their principal and interest entitlements, or have otherwise been reserved for in full, including, in the case of the subordinated debt, the payment in full of statutory interest up to the statutory rate of 8% simple per annum.

Recently-appointed directors of LBIE subsequently asked LBIE's joint administrators for consent to distribute to the Company, in its capacity as sole owner of LBIE's preference shares, any surplus funds that might become available. At a LBIE directions hearing on 15 July 2020, the Court ordered that LBIE's joint administrators can consent to the LBIE directors' request. As a result, the Administrators consider it likely that a first distribution on the LBIE preference shares will be received from LBIE in due course. The eventual, total quantum of distributions that will be received from LBIE will depend on the ultimate outcome in the LBIE estate.

Although the Company is the legal owner of the LBIE preference shares, certain Wentworth entities have legal and beneficial interests relating to distributions on those preference shares received by the Company. Any preferred equity distributions

that are received from LBIE will accordingly be subject to the terms of Wentworth contractual arrangements and, as a result, a portion of such receipts (or an equivalent amount from the Company's reserves) will not be available for distribution to the Company's creditors but instead must be paid to certain Wentworth counterparties.

#### ***Claim against Lehman Brothers Limited ("LBL")***

LBL has paid the Company's principal claim in full, as well as an additional £58.0m in part payment of the Company's entitlement to post-administration statutory interest that had accrued on its claim.

Further receipts via LBL are expected through circuitous cashflows from intercompany balances in several Lehman estates. The level of the final return from LBL remains contingent on a number of issues, including:

- The amount ultimately paid by the Company to Lehman Brothers Holdings Plc (in administration) ("LBH") in respect of its subordinated claim, which in large part is dependent upon the outcome of an appeal, if any, following the Priority Application High Court Judgment; and
- The outcome of the Clawback Proceedings (as defined below) as they relate to the Company and to LBL.

These issues are discussed below in more detail.

#### ***Claims against Lehman Brothers Holdings Inc. ("LBHI")***

The Company has direct and guarantee claims against LBHI which were admitted in 2011 in the amounts of \$2.7m and \$302.0m respectively. Creditors will recall that the Company sold its direct claim against LBHI in December 2017. Cumulative dividends from LBHI in respect of the guarantee claim total \$105.6m.

The Company's sole remaining claim against LBHI is its guarantee claim. It has received no further distributions from LBHI in respect of this claim

during the Reporting Period and LBHI alleges that the Company is not entitled to any further distributions in respect of this claim.

As explained in our previous progress report, in April 2019 LBHI initiated proceedings in the United States Bankruptcy Court Southern District of New York ("NY Bankruptcy Court") ("the Clawback Proceedings") against the Company and certain other Lehman UK affiliate entities. LBHI is seeking to reclaim the \$105.6m it has paid to the Company in relation to the guarantee claim, along with pre-judgment interest.

In our 21<sup>st</sup> progress report we explained that in June 2019, the Company filed its answer and a counterclaim in the Clawback Proceedings and that the NY Bankruptcy Court held an initial pre-trial conference in July 2019, at which the parties agreed to confer on a proposed stipulation of facts and a discovery process for the case and return to the Court when necessary to do so. In its counterclaim, the Company is seeking payment by LBHI of further distributions in respect of the guarantee claim.

During the Reporting Period, the parties to the Clawback Proceedings have continued to liaise regarding a stipulation of facts, the discovery process and other related matters. A deposition process commenced in July and is set to continue during August. As matters stand, the Clawback Proceedings are expected to proceed to hearing during the course of 2020 or early 2021, although no hearing dates have been set as yet.

## **Distributions**

### ***Unsubordinated creditors***

Creditors may recall that in September 2017 and September 2018, the Company declared distributions of £940.9m and £240.6m respectively, to its unsubordinated creditors. Those distributions settled in full the unsubordinated creditors' principal claims and their entitlement to post-administration statutory interest.

Subject to the costs and expenses of the Administration and the outcome of the Clawback Proceedings, any further recoveries will become available for subordinated creditors in due course.

### ***Subordinated creditors***

Before the Priority Application High Court Judgment, the Company had paid distributions totalling £204.7m on account of LBH's subordinated claim. These payments were possible despite uncertainty at that time about the ranking of the subordinated claims, because the Administrators agreed a structure whereby the other subordinated creditor, Lehman Brothers Holdings Scottish LP3 ("SLP3"), agreed to waive any entitlement to a share in these distributions, whilst reserving any right it may have to receive a catch-up dividend at a later stage, to the extent that the Company has future sufficient funds. No distributions were paid in the Reporting Period.

#### ***1. Priority ranking***

The Company has received claims from two creditors, SLP3 and LBH, totalling c.£5.8bn, which are subordinated to the claims of senior unsubordinated, unsecured creditors. Creditors will recall that the Administrators issued a court application for directions as to the priority in which the holders of the claims should receive any distributions (the "Priority Application").

Following the hearing which took place during November 2019, the Court handed down its judgment on 3 July 2020, delivering its ruling on a number of issues. As regards the subordinated debt claims against the Company, the Court found in summary that LBH's subordinated debt claim ranks senior to that of SLP3.

A copy of the judgment together with a summary of it, including the Court's findings in respect of the subordinated debt claims against LBH, can be found on the Administrators' website at the address below:

[www.pwc.co.uk/services/business-recovery/administrations/non-lbie-companies/lbhi2-limited-in-administration.html](http://www.pwc.co.uk/services/business-recovery/administrations/non-lbie-companies/lbhi2-limited-in-administration.html).

At a hearing held on 24 July 2020, the Court gave permission to appeal to SLP3 in respect of the ranking dispute.

It may be recalled that LBH has previously advised the Administrators that it is investigating the possibility that it may have a further subordinated claim of US\$961m, in addition to the existing subordinated claim referred to above and the

unsubordinated claim which has been settled in full. In the event that the Priority Application High Court Judgment is not successfully appealed, (i.e. that LBH's subordinated debt claim remains senior to SLP3's subordinated debt claim), it will not be necessary for this potential additional claim to be considered further.

## **2. Outcome**

The future return to subordinated creditors remains materially uncertain. The eventual outcome is subject to a number of factors, including:

- the eventual outcome of the LBIE estate (as to which, see further detail under "Realisations" above);
- the return from LBL, which is affected by the circularity of claims among certain Lehman estates;
- the final outcome of any appeal to the 3 July 2020 Order;
- the final outcome of the Clawback Proceedings; and
- the costs and expenses of the Administration and of certain other UK Lehman estates.

## **Tax**

All corporation tax returns up to and including the year ended 13 January 2017 have been agreed by HM Revenue and Customs ("HMRC"). The corporation tax returns covering the accounting periods up to 13 January 2018 and 13 January 2019 have been submitted to HMRC. The corporation tax return covering the accounting period up to 13 January 2020 is currently being drafted.

The Finance (No. 2) Act 2017, which includes changes to corporation tax loss relief and interest deductibility, received Royal Assent on 16 November 2017. The changes regarding interest expense restriction and carry forward loss restriction will continue to be monitored. There will need to be a significant focus on accounting and reserve positions, to ensure maximum offset of losses and potential group relief to other Lehman UK affiliates.

The Administrators have met their obligations under the Senior Accounting Officer legislation and submitted the 2018 certificate and notification. They have complied with their obligations regarding the publication of the Lehman group Tax Strategy and adhered to the UK and US Foreign Account Tax

Compliance Act and Common Reporting Standards and have considered their obligations under the new Corporate Criminal Offence rules which came into effect in September 2017.

## **Investigations**

Nothing has come to the Administrators' attention during the Reporting Period to suggest that they need to do any more work in line with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice 2.

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## Section 3 Statutory and other information

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*Court details for the Administration:*

High Court of Justice, Chancery Division, Companies Court – Court Case 429 of 2009 / CR-2009-000052

*Full name:*

LB Holdings Intermediate 2 Limited

*Trading name:*

LB Holdings Intermediate 2 Limited

*Registered number:*

05957878

*Registered address:*

7 More London Riverside, London, SE1 2RT, United Kingdom

*Date of the Administration appointment:*

14 January 2009

*Current Administrators' names and addresses:*

DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

*Appointer's name and address:*

The Directors of the Company, 25 Bank Street, London E14 5LE

*Objective being pursued by the Administrators:*

Achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration)

*Division of the Administrators' responsibilities:*

In relation to paragraph 100(2) of schedule B1 to the Insolvency Act 1986, during the period for which the Administration is in force, any act required or authorized under any enactment to be done by either or all of the Joint Administrators, may be done by any or one or more of the persons for the time being holding that office

*Details of any extensions of the initial period of appointment:*

The High Court of Justice has granted five successive extensions to the Administration period to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; and 30 November 2020

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## **Section 4 Financial information**

### **Receipts and payments account**

An account of the receipts and payments for the six months to 13 July 2020, together with a cumulative total since the beginning of the Administration, is provided in Section 5.

### **Administrators' remuneration and expenses**

Statement of Insolvency Practice number 9 ("SIP9"), issued by the Institute of Chartered Accountants in England and Wales, was revised with effect from 1 December 2015 and applies to all open insolvency cases. SIP9 details the disclosure standards required by insolvency office holders in respect of fees, expenses and payments to associates.

As previously reported, the Administrators acknowledge that the provisions of the revised SIP9 apply to this insolvency, although given the uncertainty surrounding the eventual resolution and outcome of the Priority Application and the Clawback Proceedings, it remains difficult to provide a meaningful estimate of our future time costs. Whilst an estimate of future time costs is provided in Section 8, the Administrators caution that actual future costs will be considerably impacted by the progress of, among other matters, the Priority Application litigation and the Clawback Proceedings. The estimate we have provided assumes that this litigation will result in the Administration lasting for a further 36 months, which would be beyond the time by when the Administration is otherwise due to come to an end and which would therefore require the Court to grant a further extension.

That timeframe could be shortened if the litigation is settled sooner or extended if necessary if Court decisions are appealed and the Court timetable extends beyond such period. In either scenario the eventual future time costs may be expected to be materially different from those provided in the estimate.

In March 2009, approval was obtained from the Company'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 remuneration from

time to time. In accordance with SIP9, the following information has been provided in Section 7:

(i) an analysis of the Administrators' time costs for the period 1 December 2019 to 31 May 2020, including the cumulative total time costs from the date of the Administrators' appointment to 31 May 2020; and

(ii) a summary of the Administrators' time costs for the period 1 December 2019 to 31 May 2020, including the key categories of work, further information on the work undertaken, a description of why the work was necessary, how the work benefits creditors and whether it was required by statute. In line with the creditors' approval and as at 13 July 2020, the Administrators have drawn remuneration of £16.8m plus VAT in respect of time costs incurred to 31 May 2020.

### **Administrators' disbursements**

The Administrators' disbursements policy allows for all properly incurred disbursements to be recharged to the Administration.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance. The Administrators are not required to seek creditor approval to draw Category 1 disbursements. Category 1 disbursements incurred during the Reporting Period total £318 plus VAT. These disbursements have not yet been drawn.

Category 2 disbursements for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities, must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves the Administrators' fees.

As a result of the Company being included as a defendant in the Clawback Proceedings from April 2019 and its direct interest in the Priority Application, the scope of work undertaken by our specialist forensics team has increased. The forensics team utilises IT software to review the Lehman archives in order to obtain and supply evidence for witness statements. These exercises were (and continue to be) conducted by a

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combination of resources from PwC and from the Administrators' legal advisors and are carried out in accordance with standard e-disclosure processes.

PwC uses a third party to provide the platform in which to access the Lehman archives and transfer the data to PwC's e-review sharing platform. PwC charges a monthly licence and hosting fee where this platform is used on an assignment.

A total of £115,539 plus VAT was incurred in the Reporting Period. As Category 2 disbursements, the Administrators will be seeking creditor approval to draw these amounts in due course.

### ***Creditors' rights***

Creditors have the right to ask for information and challenge an administrator's fees if they believe that they are too high. You can find an explanatory note online at:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/a-creditors-guide-to-administrators-fees-010407.ashx?la=en>

Creditors can request a paper copy of the above guide free of charge by contacting [Lehman.affiliates@uk.pwc.com](mailto:Lehman.affiliates@uk.pwc.com).

## Section 5 Receipts and payments account

Receipts	Notes	As at 12-Jul-20	GBP Movements in Period	As at 12-Jan-20	As at 12-Jul-20	USD Movements in Period	As at 12-Jan-20
Dividends received	1	908,841.40	161,779.28	817,061.78	106,250.10	-	106,250.10
Sale of subordinated debt and under shares in LRIH		649,999.000	-	649,999.000	-	-	-
Sale of sub shares in LRIH		-	-	-	99.478	-	99.478
Reimbursement of contributions to Joint Venture Waterfall costs		4,010.190	-	4,010.190	-	-	-
Reimbursement of Joint Venture travel costs		60.14	-	60.14	-	-	-
Reimbursement of loan and advances to Joint Venture		9,000,000	-	9,000,000	-	-	-
Sale of tax losses		22,819.184	292.878	22,526.306	-	-	-
Repayment of loan to LRIH		84,710.000	-	84,710.000	-	-	-
Recovery of investments in subsidiaries		87.777	200.000	112,222.22	-	-	-
Other interest received	2	1,685,100	-	1,685,100	2,720	-	2,720
<b>Total receipts</b>		<b>11,707,005.794</b>	<b>162,072.758</b>	<b>11,544,933.036</b>	<b>109,070.178</b>	<b>7</b>	<b>109,063.164</b>
Payments							
Net Tax Reserves costs		100,000	-	100,000	-	-	-
Legal fees and disbursements	3	17,028,251	2,078,000	19,106,251	-	-	-
Legal fees and disbursements relating to Waterfall applications		2,872,000	-	2,872,000	-	-	-
Recharge of pension related legal costs to LB UK Financing Ltd		28,000	-	28,000	-	-	-
Loans and advances to Joint Venture		9,000,000	-	9,000,000	-	-	-
Loans to LRIH		20,000,000	-	20,000,000	-	-	-
Investments in subsidiaries		170,000	-	170,000	-	-	-
Other wages and salaries	4	69,000	2,000	71,000	-	-	-
Director's costs		25,000	-	25,000	-	-	-
IT Costs		18,000	-	18,000	-	-	-
Refund Office costs		0	-	0	-	-	-
Bank charges		0	-	0	937	-	937
Joint Administrators' remuneration	5	18,309,022	9,280,000	27,589,022	-	-	-
Joint Administrators' category 1 disbursements		40,777	170,000	210,777	-	-	-
Irrecoverable VAT	6	7,881,122	211,000	8,092,122	-	-	-
<b>Total payments</b>		<b>64,142,076</b>	<b>9,280,000</b>	<b>73,422,076</b>	<b>937</b>	<b>-</b>	<b>937</b>
Intercompany transfers							
Receipts		60,722,810	-	60,722,810	-	-	-
Payments		-	-	-	106,069,027	-	106,069,027
<b>Total receipts less total payments</b>		<b>1,005,729.794</b>	<b>112,852.758</b>	<b>1,118,582.552</b>	<b>1,063</b>	<b>7</b>	<b>1,063</b>
Distributions							
Interim distribution to unsecured creditors - step in the 2 paid 0 Sep 2017		698,219.818	-	698,219.818	-	-	-
Interim distribution to unsecured creditors - share of statutory interest (1,000,000) paid - 0 Sep 2017; 622,700 to July 2018		611,118,519	-	611,118,519	-	-	-
Interim distribution to unsecured creditors - the remaining share of statutory interest paid on 12 Sep 2018		600,000,000	-	600,000,000	-	-	-
Interim distribution to unsecured creditors - a portion of subordinated debt paid on 12 Sep 2018		44,000,000	-	44,000,000	-	-	-
Final distribution to unsecured creditors - a portion of subordinated debt paid on 12 Sep 2018		100,000,000	-	100,000,000	-	-	-
<b>Total distributions</b>		<b>1,453,338,337</b>	<b>-</b>	<b>1,453,338,337</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cash receipts less total payments less distributions</b>		<b>1,005,729.794</b>	<b>112,852.758</b>	<b>1,118,582.552</b>	<b>1,063</b>	<b>7</b>	<b>1,063</b>
Cash balances							
MISC	7	800,000	(1,700,000)	800,000	1,000	7	1,000
Money market	8	272,000,000	110,000,000	382,000,000	-	-	-
<b>Total cash</b>		<b>272,800,000</b>	<b>108,300,000</b>	<b>381,100,000</b>	<b>1,063</b>	<b>7</b>	<b>1,063</b>

All of the Company's assets are uncharged, there being no secured creditors.

The estimated realisable values of assets shown in the directors' statement of affairs do not represent a meaningful comparison with the current position and are therefore excluded.

"Joint Venture" refers to Waterfall.

(1) Dividends of £1.00 per share were paid to the shareholders of the Company in the Reporting Period.

(2) Interest of £0.00 accrued on bank accounts and funds deposited in money markets during the Reporting Period.

(3) Legal fees of £1.7m incurred and paid in the Reporting Period in respect of ongoing legal advice and litigation costs.

(4) Certain contractual services are undertaken on behalf of LRIH by employees retained by LRIH which include costs associated with tax services.

(5) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

(6) The Company's GBP and USD accounts are both interest bearing.

(7) Funds are invested in the money market to accrue interest and on savings.

(8) Total cash at 12 July 2018 based on exchange rates at 12 July 2018 was £ 272.8m.



## Section 6 Statement of expenses

The table below provides details of the Administrators' expenses. Expenses are defined as amounts payable by the Administrators from the estate. They include the Administrators' fees but exclude distributions to creditors and the Wentworth loans. The table also excludes any potential tax liabilities other than VAT, that may be payable as an Administration expense. Tax amounts becoming due will depend on the position at the end of the accounting period and the impact of any tax reform.

The table should be read in conjunction with the receipts and payments account in Section 5, which shows expenses actually paid during the Reporting Period but excludes those incurred which have not yet been paid.

It remains difficult to provide a meaningful estimate of future expenses. Whilst the table includes an estimate, the Administrators caution that actual future expenses will be considerably impacted by the progress of, among other matters, the Priority Application and the Clawback Proceedings. The estimate we have provided assumes that this litigation will result in the Administration lasting for a further 36 months. That timeframe could be shortened if the litigation is settled sooner or extended if necessary if Court decisions are appealed and the Court timetable extends beyond such period. In either scenario the eventual future expenses may be expected to be materially different from those provided in the estimate.

	Brought forward from preceding period £k	Paid in Reporting Period £k	Cumulative £k	Incurred in Reporting Period £k	Estimated future £k	Anticipated total £k
Legal fees and disbursements	20,832	2,677	23,509	3,230	26,389	49,898
Pension related legal costs	56	-	56	-	-	56
Employee wages and associated costs	82	6	88	9	554	642
Administrators' remuneration and disbursements	14,358	2,727	17,085	2,978	14,011	31,096
Statutory costs	32	-	32	-	50	82
Irrecoverable VAT	6,891	942	7,833	1,242	8,090	15,923
<b>Total</b>	<b>42,251</b>	<b>6,352</b>	<b>48,603</b>	<b>7,458</b>	<b>49,094</b>	<b>97,697</b>

## Section 7 Joint Administrators' time costs for the period 1 December 2019 to 31 May 2020

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	1.50	12,280	129.15	71,416	247.50	101,890	12.40	2,604	390.55	178,190
Strategy and Planning	751.05	672,208	1,340.36	744,499	824.30	210,922	766.66	145,378	3,682.37	1,773,006
Creditors	-	-	-	-	-	-	-	-	-	-
Statutory and Other Compliance	0.20	168	59.85	36,209	86.40	37,584	-	-	146.45	73,961
Tax and VAT	154.95	218,343	213.95	218,866	229.60	127,787	1.50	390	600.00	565,387
Total for six months ended 31 May 2020	907.70	802,999	1,743.31	1,070,990	1,387.80	478,183	780.56	148,372	4,819.37	2,590,544
Average hourly rate for the six month period to 31 May 2020										538
Cumulative total to 31 May 2020										17,418,229

Current charge out rates	Business Restructuring Services	General Tax/Forensics	Specialists
	Max £/hr		
Grade	From 1 July 2019		
Partner	956	1,385	1,520
Director	840	1,275	1,395
Senior Manager	605	975	1,290
Manager	525	710	775
Senior Associate	435	520	575
Associate/Support Staff	270	285	305

### Notes

- (1.) The cumulative total refers to the time costs incurred to 31 May 2020, of which £16.8m plus VAT has been paid.
- (2.) Time costs are net of VAT.
- (3.) The maximum specialist partner rate is used by exception and only where specific circumstances require that level of specialism.
- (4.) The charge-out rate for BRS Partner also applies to Derek Howell as a Consultant.

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## ***Narrative of the Joint Administrators' time costs for the period 1 December 2019 to 31 May 2020***

### **Accounting and Treasury - £178,190**

This is an essential function for the management of funds held by the Administrators on behalf of the Company. The Administrators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments for the benefit of the Company's creditors.

Activities included:

- Reconciling bank accounts;
- Provision of information for the purposes of statutory reporting;
- Arranging receipts and payments of funds and coding of movements;
- Monitoring flow of funds into the bank accounts;
- Analysing counterparties' risk and deposit rates;
- Actively managing investments held in various institutions in order to mitigate risk;
- Review of cash investment strategy and documentation agreement for bond portfolio;
- Executing foreign exchange transactions;
- Liaising with the cash management team to check liquidity requirements;
- Monitoring of funds required for immediate cash needs to ensure that optimal level of funds are held on deposit;
- Putting in place arrangements to enable access to treasury bill market;
- Monthly reporting of outstanding deposits and month end bank balances; and
- Quarterly reporting of performance and activity commentary.

### **Strategy and Planning - £1,773,006**

The inherent complexities of the LBHI2 estate mean that the Administrators and their staff continue to invest a substantial proportion of their time in the planning and delivery of their strategy for the progression of the Administration.

Activities included:

#### **Wentworth**

- Meetings and correspondence with tax and legal advisors and the Wentworth Joint Venture partners;
- Preparation for and attendance at board meetings to represent the Company as corporate director of a number of companies in the Wentworth structure;
- Update meetings with LBIE and discussing strategy with the Wentworth Joint Venture partners;
- Reviewing LBIE progress report to creditors in context of future recoveries for Wentworth;
- Reviewing financial information from Wentworth;
- Arrangements relating to £121.8m distribution from Wentworth; and
- Dealing with administrative issues relating to Wentworth.

#### **The Priority Application**

- Reviewing draft Priority Application High Court Judgment;
- Considering implications of draft Priority Application High Court Judgment and ongoing strategy;
- Liaising with lawyers, Counsel and the Court in relation to draft Priority Application High Court Judgment;
- Engagement with respondents and other interested parties; and
- Updates to website.

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## **Clawback Proceedings**

- Reviewing the ongoing strategy for the Administration in light of the Clawback Proceedings and regular team meetings to consider case progression and strategy;
- Communications with lawyers in relation to the deposition process;
- Preparations for depositions;
- Drafting stipulation of facts and related matters and liaison with lawyers re same;
- Communications with lawyers regarding document and discovery process and materials;
- Searches and reviews of Lehman and PwC data in support of deposition and discovery processes;
- Reviews of discovery materials; and
- Consideration of proceedings in context of matters surrounding Without Prejudice and GDPR.

## **General matters**

- Consideration of strategy to maximise the outcome for LBHI2's creditors and updating strategy documents;
- Discussions with stakeholders regarding this strategy;
- Review and maintenance of financial information, including input into financial models to assess possible ranges of economic outcomes;
- Liaising with tax specialists in respect of provisions for the financial models; and
- Regular case team meetings to manage case progression.

## **Statutory and Other Compliance - £73,961**

The following tasks were undertaken in accordance with the Administrators' statutory obligations and/or internal compliance:

- Preparing and circulating the Administrators' 22nd progress report to creditors, including the receipts and payments account;
- Preparing timecost information in support of the Administrators' billing;
- Dealing with statutory filings at Companies House and the Court;
- Preparing the Administrators' internal six-monthly reviews in accordance with professional requirements;
- Managing and updating communications on the Company's website;
- Maintaining and managing case files, records and the Company's database; and
- Dealing with other ad-hoc compliance and statutory tasks.

## **Tax and VAT - £565,387**

The following tasks were undertaken for tax and VAT compliance purposes and in some circumstances for the benefit of creditors:

- Ongoing preparation of corporation tax computation for the year ended 13 January 2019 and submission to HMRC;
- Preparation of corporation tax computation for the year ended 13 January 2020;
- Input into financial models to assess possible ranges of economic outcomes;
- Ongoing consideration of withholding tax in relation to distributions, including liaison with HMRC;
- Input with respect to potential withholding tax on interest payments made to overseas creditors;
- Preparing VAT returns as required by HMRC despite the Company's VAT status;
- Dealing with tax and VAT queries; and
- Dealing with Competent Authority request.

## ***Section 8 Estimated future costs and other matters***

The Administrators continue to actively progress all matters pertaining to the estate.

As previously reported, the Administrators acknowledge that the provisions of the revised SIP9 apply to this insolvency, although given the uncertainty surrounding the eventual resolution and outcome of the Priority Application and the Clawback Proceedings, it remains difficult to provide a meaningful estimate of our future time costs.

Whilst an estimate of future time costs is provided in the table below, the Administrators caution that actual future time costs will be considerably impacted by the progress of these matters. The estimate we have provided assumes that these legal proceedings will result in the Administration lasting for a further 36 months. That timeframe could be shortened if the litigation is settled sooner or extended if necessary if Court decisions are appealed and the Court timetable extends beyond such period. In either scenario the eventual future time costs may be expected to be materially different from those provided in the estimate below.

<b>Classification of work</b>	<b>£'k</b>
Accounting & Treasury	600
Strategy & Planning	10,000
Creditors	700
Statutory and Other Compliance	700
Tax & VAT	1,000
<b>Total</b>	<b>13,000</b>

### ***Relationships***

The Administrators have no business or personal relationships with the parties who approve their fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

### ***Details of subcontracted work***

Certain centralised services are undertaken on behalf of LBHI2 by employees retained by LBIE and LB SF Warehouse Limited for their prior and ongoing knowledge of the Company's affairs. Included in these services are the provision of certain tax and VAT services, claims review services and key staff resource. The benefit to the Company's creditors is through cost savings. This is because the Administrators consider it more efficient that this work is carried out by subcontractors and by the centralisation of services. The costs of such services are recharged to LBHI2 on a time costs basis and are invoiced directly to the estate.

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## ***Legal firms***

The Administrators have instructed the following professionals to assist with various legal matters arising in the Administration.

<b>Service provided</b>	<b>Name of firm / organisation</b>	<b>Reason selected</b>	<b>Basis of fees</b>
Legal services	Linklaters LLP	Industry knowledge	Time costs
Legal services	Dentons UK and Middle East LLP	Industry knowledge	Time costs
Legal services	Davis Polk & Wardwell LLP	Industry knowledge	Time costs

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists. Davis Polk & Wardwell LLP have been instructed to provide advice and representation in relation to the Clawback Proceedings in the NY Bankruptcy Court. All professional firms instructed by the Administrators are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. The Administrators are satisfied that the level of legal costs are appropriate.