



For further information, please
refer to our guidance at
www.gov.uk/companieshouse

1 Company details

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.

2 Administrator's name

Full forename(s)	Gillian Eleanor
Surname	Bruce

3 Administrator'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

4 Administrator's name ①

Full forename(s)	Edward John
Surname	Macnamara

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

5 Administrator's address ②

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

2

To date

^d

1

^d

3

^m

0

^m

7

^y

2

^y

0

^y

2

^y

2

7

Progress report



I attach a copy of the progress report

8

Sign and date

Administrator's
signature

Signature

X**X**

Signature date

^d

0

^d

5

^m

0

^m

8

^y

2

^y

0

^y

2

^y

2

**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 Adebowale**

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 or email 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

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. ❶
Attach this to the relevant form.
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

❶ 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)

David James

Surname

Kelly

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

Joint administrators' progress report from 14 January 2022 to 13 July 2022

LB Holdings Intermediate 2 Limited – In Administration

5 August 2022

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This report has been prepared by GE Bruce, DJ Kelly and EJ Macnamara as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under the Insolvency (England and Wales) Rules 2016 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company. Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under the Insolvency (England and Wales) Rules 2016 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/services/businessrecovery/administrations/non-lbiecompanies/lbhi2-limited-in-administration.html>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

GE Bruce, DJ Kelly and EJ Macnamara have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All 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 PwC.co.uk website or by contacting the Joint Administrators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Introduction

This is the 27th 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. The report focuses on the progress made in the six months to 13 July 2022 (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

As reported previously, the claims of unsubordinated, unsecured creditors have been paid in full.

Subordinated creditors

The Company has two subordinated creditors, Lehman Brothers Holdings Plc (in administration) (“**LBH**”) and Lehman Brothers Holdings Scottish LP3 (“**SLP3**”). The unsecured, subordinated claims of LBH and SLP3 total c.£6.5bn. The relative priority of these claims is disputed and this issue (amongst other matters) was the subject of an application to the High Court (the “**Priority Application**”). On 3 July 2020, the High Court delivered its judgment on the Priority Application (the “**Priority Application High Court Judgment**”), but this became the subject of an appeal to the Court of Appeal, which was heard in October 2021. On 20 October 2021 the Court of Appeal delivered its judgment (the “**Priority Application Court of Appeal Judgment**”), against which SLP3 has applied to the Supreme Court for permission to appeal. The Supreme Court’s decision on whether to give permission to appeal is awaited. Despite the uncertainty as between the relative priority of the LBH and SLP3 claims, initial distributions of £44.7m, £160.0m and £132.4m have been paid to LBH, with the consent of SLP3.

Further details regarding the initial distributions and the Priority Application are provided in Section 2.

Extension to the Term of Office

The Administrators’ term of office is due to expire on 30 November 2022. The Administrators intend to make an application to Court to request a further extension in order to continue to pursue the objective of the Administration and realise the remaining assets. Prior to the application being submitted to the Court, the Administrators will update creditors as to the length of the extension being sought.

Future reports

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

Signed:



GE Bruce
Joint Administrator
LB Holdings Intermediate 2 Limited

GE Bruce, DJ Kelly 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 website or by contacting the Joint Administrators

Realisations

Lehman Brothers International (Europe) and the Wentworth Joint Venture

In our previous progress reports we have explained the background to the Wentworth Joint Venture ("**Wentworth**") in the context of the Company's claims against Lehman Brothers International (Europe) (in Administration) ("**LBIE**"). The terms of the Company's Joint Venture arrangement with Wentworth mean that the Company has received distributions totalling £635.9m from Wentworth's creditor claims against LBIE.

The Company continues to be LBIE's sole member and at a hearing on 15 July 2020, the Court directed that LBIE's joint administrators could consent to requests from LBIE's directors to pay distributions to the Company, as shareholder, from surplus funds available in LBIE. To date the Company has received £337.0m in shareholder distributions as follows:

- £29.0m in August 2020;
- £100.0m in December 2020;
- £115.0m in January 2021; and
- £93.0m in October 2021.

The total quantum of distributions that will eventually be received from LBIE will depend on the ultimate outcome of the LBIE estate.

Although the Company is the legal owner of the LBIE preference shares and LBIE pays distributions to the Company as shareholder, certain Wentworth entities have contractual rights relating to proceeds of distributions on those preference shares received by the Company, and the Company has now made payments totalling £168.5m to Wentworth in relation to these interests. Any further proceeds of preferred equity distributions that are received by the Company from LBIE are subject to the terms of the Wentworth contractual arrangements and the Company is obliged to make the appropriate contractual payments to Wentworth in this regard. The details of the Wentworth contractual arrangements remain confidential to the parties.

Claim against Lehman Brothers Limited ("LBL")

LBL has paid the Company's principal claim, totalling £257.2m, in full, as well as £143.4m towards the Company's entitlement to post-administration statutory interest, of a maximum of £184.8m.

Further receipts from LBL are expected through circuitous cash flows from intercompany balances in several Lehman estates. The level of the final return from LBL remains contingent on the amount ultimately paid by the Company to LBH in respect of its subordinated claim, which in large part is dependent upon whether or not the Supreme Court gives SLP3 permission to appeal the Priority Application Court of Appeal Judgment and, if it does, the outcome of that appeal.

LBL's primary source of funds is its own intercompany claim against LBH. These issues are discussed below in more detail.

Distributions

Unsubordinated creditors

As reported previously, the claims of the Company's unsubordinated, unsecured creditors, including post-administration statutory interest, have been paid in full.

Subordinated creditors

To date the Company has paid distributions totalling £337.1m in a series of distributions, on account of LBH's subordinated claim. These payments have been possible because SLP3 has agreed to waive any entitlement to a share in distributions paid to date, whilst reserving any right it may have to receive catch-up dividends, at a later stage, to the extent that the Company has sufficient future funds.

1. Priority ranking

In our previous progress reports we explained the background to the Priority Application and that in July 2020 the High Court found that, amongst other things, LBH's subordinated debt claim ranked senior to that of SLP3. We also explained that following subsequent orders by the High Court and the Court of Appeal, SLP3 was granted permission to appeal certain of the High Court's findings.

During the week commencing 4 October 2021, the Court of Appeal heard the appeal in the Priority Application and on 20 October 2021 the Court of Appeal handed down its Judgment, upholding the decision that LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3.

On 17 November 2021 SLP3 applied to the Supreme Court for permission to appeal the Priority Application Court of Appeal Judgment. The Supreme Court's decision on whether to give permission to appeal is awaited.

Copies of the judgments and orders of the High Court and the Court of Appeal, together with summaries of them, as well as details of SLP3's application to the Supreme Court for permission to appeal and LBH's objections to that application, can all be found on the Administrators' website at the address below:

<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbi2-limited-in-administration.html>

2. Outcome

As mentioned above, the Company has paid distributions to LBH (in its capacity as a subordinated creditor) totalling £337.1m.

The level of further returns to subordinated creditors remains materially uncertain. The eventual outcome remains subject to a number of factors, including:

- the ultimate outcome of the LBIE estate;
- the return from LBL, which is affected by the circularity of claims among certain Lehman estates;
- the final determination of the priority ranking of the subordinated debt claims;
- the costs and expenses of the Administration and of certain other UK Lehman estates; and
- the durations of the administrations of the Company, LBIE, LBH and LBL.

Tax

The normal HM Revenue and Customs ("HMRC") enquiry window for the corporation tax returns submitted up to the year ended 13 January 2020 has closed. The corporation interest restriction ("CIR") tax return covering the period up to 31 March 2021 has been submitted to HMRC. In addition, the Company has notified HMRC that it has changed its period of account for CIR purposes to 13 January 2023, as per s.486, TIOPA 2010. As the last CIR return was for the period to 31 March 2021, the Company will file its next CIR return for a 22 month period of account, starting on 1 April 2021 and ending on 13 January 2023.

Separately, the corporation tax return covering the accounting period up to 13 January 2022 is currently being prepared to include necessary disclosures required by changes to the corporation tax return in respect of its JV interest in Wentworth.

The Administrators have met their obligations under the Senior Accounting Officer ("SAO") legislation and submitted the 2020 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. The 2021 SAO certificate and notification is being drafted and we expect to submit this in Q3 2022.

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.

Receipts and payments account

An account of the receipts and payments for the six months to 13 July 2022, together with a cumulative total since the beginning of the Administration, is provided in Appendix A.

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 April 2021 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, it remains difficult to provide a meaningful estimate of our future time costs. Whilst an estimate of future time costs is provided in Appendix D, the Administrators caution that actual future costs will be considerably impacted by the progress of, among other matters, the outcome of SLP3's application for permission to appeal the Priority Application litigation, Court of Appeal Judgment. The estimate we have provided assumes that the litigation, together with the resolution of the LBIE estate, will result in the Administration lasting for at least 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 matters described above are resolved sooner, or extended if permission is given to appeal the Priority Application's Court of Appeal Judgment, such that the Supreme Court timetable results in additional extension(s) becoming necessary. In either scenario the eventual future time costs may 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 Appendix C:

- (i) an analysis of the Administrators' time costs for the period 1 January 2022 to 30 June 2022, including the cumulative total time costs from the date of the Administrators' appointment to 30 June 2022; and
- (ii) a summary of the Administrators' time costs for the period 1 January 2022 to 30 June 2022, 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.

Administrators' expenses and disbursements

The Administrators' expenses and 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 £903 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. Category 2 disbursements incurred during the Reporting Period total £4,921 plus VAT. These disbursements have not yet been drawn.

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:

<https://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

	As at 13-Jul-22	GBP £m Movements in Period	As at 13-Jan-22	As at 13-Jul-22	USD \$m Movements in Period	As at 13-Jan-22
Receipts						
Dividends received, including from Wentworth Joint Venture	1,024.1	-	1,024.1	106.5	-	106.5
Sale of subordinated debt and senior claims in LBIE	650.0	-	650.0	-	-	-
Dividend of preferential shares received from LBIE (1)	179.7	11.2	168.5	0.1	-	0.1
Reimbursement of Wentworth Joint Venture costs	4.8	0.1	4.7	-	-	-
Reimbursement of loans and advances to Wentworth Joint Venture	9.7	-	9.7	-	-	-
Sale of tax losses	32.9	0.1	32.8	-	-	-
Repayment of loan to LBHI	82.8	-	82.8	-	-	-
Recovery of investments in subsidiaries	-	-	-	-	-	-
Other receipts	0.3	0.3	-	-	-	-
Gross interest received	15.6	0.7	14.9	-	-	-
Total receipts	1,999.9	12.4	1,987.5	106.6	-	106.6
Payments						
Joint Administrators' remuneration	22.8	1.2	21.6	-	-	-
Joint Administrators' disbursements	0.5	-	0.5	-	-	-
Legal and professional fees	29.0	0.2	28.8	-	-	-
Loans and advances to Wentworth Joint Venture	9.7	-	9.7	-	-	-
Legal settlement	-	-	-	90	-	90
Loan to LBHI	82.6	-	82.6	-	-	-
Other payments	0.4	-	0.4	-	-	-
Irrecoverable VAT (2)	9.7	0.3	9.4	-	-	-
Total payments	154.7	1.7	153.0	90	-	90
Intracompany transfers						
Receipts	69.8	-	69.8	90.0	-	90.0
Payments	65.6	-	65.6	106.6	-	106.6
Total receipts less total payments	1,849.4	10.7	1,838.6	-	-	-
Distributions						
1st distribution - 100p in the £ paid on 6 Sep 2017	698.5	-	698.5	-	-	-
1st distribution - statutory interest (£206.7m) paid on 6 Sep 2017 and (£35.7m) on 24 July 2018	242.4	-	242.4	-	-	-
2nd distribution - remaining share of statutory interest paid on 12 Sep 2018	240.6	-	240.6	-	-	-
2nd distribution - a portion of subordinated debt paid on 12 Sep 2018	44.7	-	44.7	-	-	-
3rd distribution - a portion of subordinated debt paid on 14 Mar 2019	160.0	-	160.0	-	-	-
4th distribution - a portion of subordinated debt paid on 16 Feb 2021	132.4	-	132.4	-	-	-
Total distributions	1,518.7	-	1,518.7	-	-	-
Total cash receipts less total payments less distributions	330.6	10.7	319.9	-	-	-
Cash balances						
HSBC	5.5	(2.6)	8.1	-	-	-
Money markets (3)	325.1	13.3	311.8	-	-	-
Total cash	330.6	10.7	319.9	-	-	-

Notes:

Sums have been rounded to the nearest £0.1m.

There may be rounding in this table which makes it appear to not perfectly cast.

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

Estimated to realise values of assets shown in the statement of affairs do not meaningfully compare with the current position and are therefore excluded.

(1) The Company owns 100% of preference equity in LBIE. Some of the Company's rights have been participated and the net receipts are shown.

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

(3) Funds are invested on the money market to accrue interest and manage risk.

(4) Total cash at 13 Jul 2022 based on exchange rates at 13 Jul 2022 was c. £330.6m.

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 Appendix A, 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. The estimate we have provided assumes that this litigation will result in the Administration lasting for at least a further 36 months. That timeframe could be shortened if the litigation, and matters affecting the LBIE estate, are resolved sooner, or extended if necessary if Court decisions continue to be appealed and the Court timetable extends beyond that period. In either scenario the eventual future expenses may be materially different from those provided in the estimate.

Expense	Incurred in Reporting Period	Estimated future	Anticipated total
	£m	£m	£m
Legal fees and disbursements	0.1	28.2	56.5
Administrators' remuneration	0.9	8.3	31.5
Administrators' disbursements	-	-	1.0
Other costs	-	0.6	0.7
Irrecoverable VAT	0.2	7.4	17.9
Total	1.2	44.5	107.6

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	2.30	2,162	109.00	59,619	361.90	162,494	16.35	4,578	489.55	228,853
Strategy and Planning	223.95	195,164	249.40	155,739	6.10	2,745	-	-	479.45	353,648
Statutory and Other Compliance	13.30	11,778	35.40	22,125	48.60	21,870	-	-	97.30	55,773
Creditors and Distributions	-	-	-	-	-	-	-	-	-	-
Tax and VAT	110.30	142,820	67.70	60,657	76.85	36,572	-	-	254.85	240,048
Total for the six month period to 30 June 2022	349.85	351,924	461.50	298,140	493.45	223,680	16.35	4,578	1,321.15	878,322
Average hourly rate for the six month period to 30 June 2022										665
Cumulative total to 30 June 2022										23,181,745

Cumulative total to 30 June 2022, by classification of work		£
Accounting and Treasury		2,354,625
Strategy, Planning and Asset Realisations		14,684,745
Creditors and Distributions		175,565
Statutory and Other Compliance		1,173,831
Tax and VAT		4,792,979
Total		23,181,745

Notes:

(1) Time costs are net of VAT.

(2) There may be roundings in these tables which make them appear to not perfectly cast.

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff during the Reporting Period.

Partner	985
Director	870
Senior Manager	625
Manager	545
Senior Associate	450
Associate/support staff	280

We call on colleagues in our Tax department and certain other specialist services where we need their expert advice. Their specialist charge-out rates vary but the following were the maximum rates by grade per hour during the Reporting Period.

Partner	1385
Director	1275
Senior Manager	975
Manager	710
Senior Associate	520
Associate	285

In common with many professional firms, our scale rates may rise to cover annual inflationary and other cost increases.

Narrative of the Joint Administrators' time costs for the period 1 January 2022 to 31 June 2022

Accounting and Treasury - £228,853

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;
- 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 - £353,648

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

Activities included:

LBIE and Wentworth

- Meetings and correspondence with tax and legal advisors and the Wentworth Joint Venture partners;
- Update meetings with LBIE and discussing strategy with the Wentworth Joint Venture partners;
- Reviewing LBIE progress report to creditors in context of future recoveries;
- Reviewing financial information from Wentworth; and
- Dealing with administrative issues relating to Wentworth.

The Priority Application

- Ongoing consideration of implications of the Priority Application Court of Appeal Judgment and development of strategy;
- Engagement with respondents and other interested parties; and
- Updates to website.

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 - £55,773

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

- Preparing and circulating the Administrators' 26th 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 - £240,048

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

- Submission to HMRC of the CIR tax return for the period up to 31 March 2021;
- Notification to HMRC of the changed to the Company's period of account for CIR purposes;
- Calculation of tax provisions;
- Reviewing group relief/losses position to determine amounts available for surrender;
- Drafting of corporation tax computation for the year ended 13 January 2022;
- 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; and
- Dealing with tax and VAT queries.

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, 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 at least a further 36 months. That timeframe could be shortened if the litigation, and matters affecting the LBIE estate, are resolved sooner, or extended if necessary if Court decisions continue to be appealed and the Court timetable extends beyond such a period. In either scenario the eventual future time costs may be materially different from those provided in the estimate below.

Accounting and Treasury	900
Strategy and Planning	5,900
Creditors	150
Statutory and Other Compliance	450
Tax and VAT	900
Total	8,300

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 LBSF 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 resources. 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.

Legal firms

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

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	Linklaters LLP	Industry knowledge	Time costs
Legal services	Dentons UK and Middle East 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 were 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 is appropriate.

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court – Court Case 429 of 2009 / CR-2009-000052
<i>Full name:</i>	LB Holdings Intermediate 2 Limited
<i>Trading name:</i>	LB Holdings Intermediate 2 Limited
<i>Registered number:</i>	05957878
<i>Registered address:</i>	7 More London Riverside, London, SE1 2RT, United Kingdom
<i>Date of the Administration appointment:</i>	14 January 2009
<i>Current Administrators' names and addresses:</i>	GE Bruce, DJ Kelly and EJ Macnamara of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
<i>Appointer's name and address:</i>	The Directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	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)
<i>Division of the Administrators' responsibilities:</i>	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
<i>Details of any extensions of the initial period of appointment:</i>	The High Court of Justice has granted six successive extensions to the Administration period to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; 30 November 2020; and 30 November 2022.