

Joint Administrators' progress report from 14 January 2024 to 13 July 2024

LB Holdings Intermediate 2 Limited
(in administration)

High Court of Justice, Chancery Division, Companies Court
Case no. 429 of 2009

30 July 2024



Strictly private and confidential

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This report has been prepared by Gillian Eleanor Bruce, David James Kelly and Edward John Macnamara as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 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 person choosing to rely on this report for any purpose or in any context other than under IR16 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/lbhi2>

Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Gillian Eleanor Bruce, David James Kelly and Edward John 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.

Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Company / LBHI2	LB Holdings Intermediate 2 - in administration
Administrators	Gillian Eleanor Bruce, David James Kelly and Edward John Macnamara of PricewaterhouseCoopers LLP
Reporting Period	14 January 2024 to 13 July 2024
Firm / PwC	PricewaterhouseCoopers LLP
IR16	Insolvency (England and Wales) Rules 2016
IA86	Insolvency Act 1986
AGFP	AG Financial Products Inc
Elliott	Elliott Management Corporation
HMRC	HM Revenue and Customs
King Street	King Street Capital Management
LBIE	Lehman Brothers International (Europe) - in administration
LBH	Lehman Brothers Holdings plc - in administration
LBHI	Lehman Brothers Holdings Inc
LBL	Lehman Brothers Limited - in administration
Sch. B1 IA86	Schedule B1 to the Insolvency Act 1986
SIP9	Statement of Insolvency Practice 9
SLP3	Lehman Brothers Holdings Scottish LP 3
Statutory Interest	Interest calculated in accordance with IR16 on the amount of admitted claims in respect of the periods during which such claims were outstanding since the date of commencement of the Administration to the date of full repayment, calculated as the greater of the rate payable in accordance with s.17 of the Judgments Act 1838 (currently 8% simple), and the rate applicable to the debt apart from the Administration
Wentworth	The Wentworth Joint Venture

Section 1: Introduction

Introduction

This is the 31st progress report prepared by the Administrators of the Company.

This report provides an update on the work the Administrators have undertaken, with a particular focus on progress made in the Reporting Period. Earlier reports can be viewed on the Administrators' website at <https://www.pwc.co.uk/lbhi2>

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

Subordinated Creditors

The Company has two subordinated creditors: LBH and SLP3. The unsecured, subordinated claims of LBH and SLP3 total c.£6.5bn.

The relative priority of these claims was disputed and this issue (amongst other matters) was the subject of an application to the High Court (the "Priority Application"). The Priority Application was ultimately determined such that LBH's subordinated debt claim ranks senior to that of SLP3, meaning that SLP3 will not receive any distributions in respect of its claim.

The level of further returns to LBH as the successful subordinated creditor remains materially uncertain (largely due to LBIE's ongoing and material litigation against AGFP). The factors affecting the eventual outcome are detailed in Section 2.

During the reporting period the Company paid £33m to its priority subordinated creditor, LBH.

Full details of the Priority Application and an illustrative outcome as at March 2024, prepared by the Administrators of LBH, can be viewed by creditors on the LBH website: <https://www.pwc.co.uk/services/business-restructuring/administrations/lehman/lehman-brothers-holdings/other-notice.html>

Why we remain in office

The Administrators remain in office to continue to receive dividends from the Company's debtor, LBL, and its subsidiary, LBIE, and to comply with the Company's obligations to Wentworth.

They also continue to deal with ongoing tax and VAT matters and statutory tasks.

Further details are contained within the body of this report.

What you need to do

This report is for your information and you don't need to do anything

This report and future updates

The Administrators' next formal progress report to creditors will be in approximately six months' time, and will be posted to the website.

If you have any questions, please contact the Administrators at uk_lehmanaffiliates@pwc.com

Signed

A handwritten signature in black ink, appearing to read 'G Bruce', with a small horizontal line at the end.

Gillian Bruce
Joint Administrator
LB Holdings Intermediate 2 Limited - in administration

Section 2: Administrators' actions to date

Background

LBHI2 is part of the UK Lehman Brothers group and is LBIE's sole member.

On appointment, the Company's main assets were interests in intercompany positions, including both debt and equity interests in LBIE. Interests in LBIE were subsequently pooled, with those held by Elliott and King Street, into the Wentworth Joint Venture.

The Administrators will continue to collect dividends from the LBIE shareholding when they are distributed, account to Wentworth for its share in these and make distributions to LBH as its priority subordinated creditor.

These matters are detailed below.

Progress made in the Reporting Period

Asset realisations

In previous progress reports we have explained the background to Wentworth such that the Company's claims against, and interests in, LBIE were participated, together with various claims against LBIE held by Elliott and King Street, into a joint venture agreement, Wentworth, in return for a payment of £650m and a sharing arrangement of future LBIE realisations.

As a result of the sharing arrangement, the Company has received distributions totalling £638.9m 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 £402.0m in shareholder distributions as follows:

- £29.0m in August 2020;
- £100.0m in December 2020;
- £115.0m in January 2021;
- £93.0m in October 2021; and
- £65.0m in October 2023.

Although the Company remains 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. As a result, from the total dividends received, the Company has retained some £199.2m net of its share of the Wentworth costs. Any further proceeds of preferred equity distributions that are received by the Company from LBIE will continue to be subject to the terms of the Wentworth contractual arrangements which remain confidential between the parties.

Details of the progress made in the LBIE estate can be found at: <https://www.pwc.co.uk/lehman>.

The Administrators of LBH published an illustrative outcome for its creditors as at March 2024. Creditors will be able to access this update through LBH's webpage at: <https://www.pwc.co.uk/lbh>.

Other outstanding matters

Claim against 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; £41.4m remains outstanding.

It is our understanding that further receipts from LBL are expected. The latest progress report for LBL states that its administrators envisage an equity distribution will be made to LBH as sole shareholder of LBL. As such it is expected that a full return will be made to the Company in respect of its claim.

LBL's primary source of funds is its own intercompany claim against LBH.

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

1. Priority ranking

As reported previously, the Priority Application concluded that the subordinated claim of LBH ranked senior to the subordinated claim of SLP3.

Copies of the judgments and orders of the High Court, the Court of Appeal and the Supreme Court, together with summaries of them, can be found on the Administrators' website at: <https://www.pwc.co.uk/lbhi2>.

2. Outcome

To date, the Company has paid distributions to LBH (in its capacity as a subordinated creditor) totalling £566.1m. This includes a seventh distribution of £33.0m, which was declared and paid on 27 February 2024.

The level of further returns to LBH as the senior subordinated creditor remains materially uncertain. The eventual outcome remains subject to a number of factors, including:

- the ultimate outcome of the LBIE estate;
- 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 planning and compliance

All corporation tax returns up to and including the year ended 13 January 2023 were submitted to HMRC in the prior reporting period. The Administrators have continued to meet their obligations under the Senior Accounting Officer legislation.

Investigations and actions

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 No.2.

Administrators' receipts and payments account

The Administrators set out in Appendix A an account of their receipts and payments in the administration for the six months to 13 July 2024, together with a cumulative total since the beginning of the administration.

The receipts and payments account shows an overview of cash movements.

Key movements include:

- Receipt of £3.5m as bank interest;
- Payment of £0.6m in relation to Administrators' remuneration;
- Payment of £0.1m for legal fees and expenses; and
- Payment of £33.0m as a distribution to unsecured subordinated creditors.

Administrators' fees and expenses

SIP9, which contains the key principles and standards the Administrators are required to comply with 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 it remains difficult to provide a meaningful estimate of our future time costs. Whilst an estimate of future time costs is provided in Appendix C, the Administrators caution that actual future costs will be considerably impacted by the progress and duration of the LBIE estate.

The estimate provided assumes that the Administration of the Company will continue until 30 November 2025. That timeframe could be shortened or extended, such that 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 from 14 January 2024 to 13 July 2024, including the cumulative total time costs from the date of the Administrators' appointment to 13 July 2024; and
- ii. a summary of the Administrators' time costs for the period from 14 January 2024 to 13 July 2024, 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.

The Administrators' expenses and disbursements policy allows for all properly incurred disbursements to be recharged to the Administration. A statement of the expenses incurred to the date covered by this report and an estimate of future expenses is set out at Appendix B.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/regulations/insolvency/creditors-guides/2021/administration-creditor-fee-guide-1-april-2021.ashx>

Creditors may also wish to refer to the previous creditors' guidance to understand the applicable regulations for appointments prior to 5 April 2010:

<https://www.icaew.com/-/media/corporate/files/regulations/insolvency/creditors-guides/2007/a-creditors-guide-to-administrators-fees-1-apr-2007.ashx>

Creditors can also get copies of these guides free of charge by telephoning Adrienne Rorden on 0113 289 4000 or by emailing uk_lehmanaffiliates@pwc.com.

Appendix A: Receipts and payments

	Notes	13-Jul-24	GBP £m Movements in Period	13-Jan-24	13-Jul-24	USD \$m Movements in Period	13-Jan-24
Receipts							
Dividends received, including from Wentworth Joint Venture		1,038.1	-	1,038.1	106.5	-	106.5
Sale of subordinated debt and senior claims in LBIE		650.0	-	650.0	-	-	-
Dividend of preferential shares received from LBIE	5	200.6	-	200.6	0.1	-	0.1
Reimbursement of Wentworth Joint Venture costs		4.8	-	4.8	-	-	-
Reimbursement of loans and advances to Wentworth Joint Venture		9.7	-	9.7	-	-	-
Sale of tax losses		33.0	-	33.0	-	-	-
Repayment of loan to LBHI		82.8	-	82.8	-	-	-
Other receipts		0.7	-	0.7	-	-	-
Gross interest received		35.4	3.5	31.9	0.0	0.0	-
Total receipts		2,055.1	3.5	2,051.6	106.6	0.0	106.6
Payments							
Joint Administrators' remuneration		26.2	0.6	25.6	-	-	-
Joint Administrators' disbursements		0.8	-	0.8	-	-	-
Legal and professional fees		30.0	0.1	29.9	-	-	-
Loans and advances to Wentworth Joint Venture		9.7	-	9.7	-	-	-
Legal settlement		-	-	-	90.0	-	90.0
Loan to LBHI		82.6	-	82.6	-	-	-
Other payments		0.9	0.0	0.9	-	-	-
Irrecoverable VAT	6	10.7	0.1	10.6	-	-	-
Total payments		160.9	0.8	160.1	90.0	-	90.0
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		1,898.4	2.7	1,895.7	0.0	0.0	-
Distributions	7	1,747.7	33.0	1,714.8	-	-	-
Total cash receipts less total payments less distributions		150.7	(30.3)	180.9	0.0	0.0	-
Cash balances							
HSBC		1.1	(1.7)	2.8	0.0	0.0	-
Handelsbanken		21.0	0.5	20.5	-	-	-
Money markets	8	128.4	(29.2)	157.6	-	-	-
Total cash		150.6	(30.3)	180.9	0.0	0.0	-

Notes to the receipts and payments account

1. Sums have been rounded to the nearest £0.1m.
2. There may be rounding in this table which makes it appear to not cast perfectly.
3. All of the Company's assets are uncharged, there being no secured creditors.
4. Estimated to realise values of assets shown in the Statement of Affairs do not meaningfully compare with the current position and are therefore excluded.
5. The Company owns 100% of preference equity in LBIE. Some of the Company's rights have been participated and the receipts shown are net of payments to Wentworth.
6. Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
7. A detailed breakdown of the distributions to creditors paid to date is included in the below table.
8. Funds are invested on the money market to accrue interest and manage risk.

Distributions	£m
1st distribution - 100p in the £ paid on 6 Sep 2017	698.5
1st distribution - statutory interest (£206.7m) paid on 6 Sep 2017 and (£35.7m) on 24 July 2018	242.4
2nd distribution - remaining share of statutory interest paid on 12 Sep 2018	240.6
2nd distribution - a portion of subordinated debt paid on 12 Sep 2018	44.7
3rd distribution - a portion of subordinated debt paid on 14 Mar 2019	160.0
4th distribution - a portion of subordinated debt paid on 16 Feb 2021	132.4
5th distribution - a portion of subordinated debt paid on 20 Jun 2023	110.0
6th distribution - a portion of subordinated debt paid on 13 Nov 2023	86.0
7th distribution - a portion of subordinated debt paid on 27 Feb 2024	33.0
Total distributions	1,747.7

On 12 September 2018, a first distribution was paid to LBH in relation to its admitted senior subordinated claim. Since that date additional distributions have been paid as funds allow, as set out in the above table. These payments bring the total p/£ paid of the current admitted subordinated claim to 25.8p/£.

Appendix B: Expenses

Expenses are amounts properly payable by the Administrators from the estate. They include the Administrators' fees but exclude distributions to creditors.

Expenses also include disbursements which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. Expenses fall into two categories:

Expense	SIP9 definition
Category 1	Payments to persons providing the service to which the expense relates who are not an associate of the office holder.
Category 2	Payments to the Administrators' firm or their associates, or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates).

Approval from creditors is not required to draw Category 1 expenses as these have all been provided by third parties, but approval is required to draw Category 2 expenses. The body of creditors who approve the Administrators' fees (in this case the general body of creditors) also have the responsibility for agreeing the policies for payment of Category 2 expenses.

The rate for services provided by the Administrators' own firm (Category 2 expenses) may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. All other disbursements to be charged at cost.

The following table provides a breakdown of the Category 2 expenses incurred in the Reporting Period, together with details of the Category 1 expenses that have been incurred as disbursements by PwC and will be recharged to the case.

Category	Provided by	Basis of cost	Costs incurred £
1	PwC	Postage	11.25
1	PwC	Treasury investment IT expense	58.20
1	PwC	Travel and subsistence expenses - includes air and rail travel, hotels, parking and meals	22,778.84
2	PwC	Printing - at 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying	2.80
2	PwC	Mileage - petrol / diesel / hybrid - 64 pence per mile (up to 2,000cc) or 80 pence per mile (over 2,000cc); full electric - 72 pence per mile; bicycle - 12 pence per mile	nil
Total			22,851.09

The expense policy set out above has been approved by the general body of creditors.

Payments to associates

In the Reporting Period LBHI2 facilitated the payment for services between LBHI and the US PwC firm. The cost for this service was fully funded by LBHI.

Analysis of Administrators' expenses

The table below provides details of all the expenses incurred in the administration (stated in GBP). It should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the Reporting Period and the total paid to date.

The table excludes any potential tax liabilities that may need to be paid as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

R&P Category	Paid in previous periods	Paid in the Reporting Period	Incurred in Reporting Period but not paid	Cumulative	Estimated future	Estimated total
Legal fees and disbursements	29.9	0.1	-	30.0	1.9	31.9
Administrators' remuneration	25.6	0.6	0.4	26.2	3.9	30.1
Administrators' disbursements	0.8	-	0.0	0.8	0.2	1.0
Other costs	0.9	0.0	-	0.9	0.1	1.0
Irrecoverable VAT	10.6	0.1	0.1	10.7	1.2	12.0
Total	67.8	0.8	0.5	68.6	7.3	75.9

Notes to the expenses table

1. Amounts have been rounded to the nearest £0.1m.
2. There may be rounding in this table which makes it appear to not cast perfectly.

Details of subcontracted work

No work was subcontracted during the reporting period.

Legal and other professional firms

The Administrators have instructed the following professionals on this case:

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 conflicts exist.

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.

Appendix C: Remuneration update

In March 2009, approval was obtained from the Company's creditors for the Administrators' remuneration to be fixed by reference to time properly given by the Administrators and their staff in attending to matters arising in the administration. The creditors also resolved that the Administrators may draw their remuneration from time to time.

Up to 13 July 2024, the Administrators have drawn fees of £26.2m on account of their time costs, in line with the approval given, as shown on the receipts and payments account. During the Reporting Period, the Administrators drew fees of £0.6m on account of their time costs.

The time cost charges incurred in the Reporting Period are £0.7m. An analysis of the total hours and cost incurred by grade of staff can be found later in this appendix together with details of the work undertaken to date and anticipated future work.

Time charging policy and hourly rates

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

All PwC staff who work on the administration (including the Firm's 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. Work carried out by cashiers, support and secretarial staff is charged separately and isn't included in the hourly rates charged by partners or other staff members.

Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). The Administrators do not charge general or overhead costs.

Set out below are the maximum charge-out rates per hour for the grades of PwC staff who worked on the administration during the Reporting Period.

Grade	To 30 June 2024		From 1 July 2024	
	Restructuring, Insolvency & Forensics (£)	Tax, Legal, Data & Technologists (£)	Restructuring, Insolvency & Forensics (£)	Tax, Legal, Data & Technologists (£)
Partner	1,060	1,385	1,090	1,425
Director	975	1,310	1,000	1,345
Senior Manager	775	1,060	800	1,090
Manager	625	775	640	795
Senior associate	510	570	525	585
Associate and support staff*	320	315	330	325

*inc. Offshore Professionals

Our offshore professional colleagues may be utilised to provide assistance in the insolvency, albeit that the majority of the work will be undertaken by the UK based team. Off-shore professionals may include those with appropriate insolvency experience, an accounting or finance-related qualification and appropriate skills to complete basic insolvency related tasks and provide administrative support to the team including efficient document preparation and data entry, records management, and general data analytics. All work under the supervision of more senior staff.

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.

Analysis of Administrators' time costs for the Reporting Period

Classification of work ²	Partner/Director		Senior Manager/Manager		Senior Associate		Associate / Support Staff *		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting & Treasury	1.90	1,916	50.45	32,540	175.70	89,826	11.90	3,825	239.95	128,106
Strategy & Planning	11.65	11,436	41.70	30,121	45.30	23,145	7.30	2,336	105.95	67,038
Asset Realisations ³	186.10	181,673	191.80	149,003	-	-	-	-	377.90	330,675
Statutory & Compliance	17.10	16,799	25.70	18,172	25.90	13,307	15.90	5,102	84.60	53,380
Creditors & Distributions	15.25	14,924	3.80	2,795	14.44	7,367	-	-	33.49	25,086
Tax & VAT	6.30	8,708	24.60	23,276	36.30	20,778	0.10	35.2	67.30	52,794
Total for 6 months ended 13 July 2024	238.30	235,455	338.05	255,907	297.64	154,423	35.20	11,294	909.19	657,079
Average hourly rate for the 6 month period to 13 July 2024										723
Brought forward total to 13 January 2024										26,304,533
Cumulative total to 13 July 2024										26,961,611

* includes offshore professionals

Cumulative total to 13 July 2024, by classification of work	Brought Forward £	Period £	Cumulative
Accounting & Treasury	3,098,442	128,106	3,226,548
Strategy & Planning	15,879,974	67,038	15,947,011
Asset Realisations ³	N/A	330,675	330,675
Statutory & Compliance	1,470,765	53,380	1,524,145
Creditors & Distributions	200,866	25,086	225,952
Tax & VAT	5,654,486	52,794	5,707,279
Total ²	26,304,533	657,079	26,961,611

Notes:

- Hours and costs have been rounded up or down, to the nearest 0.1 hour or whole pound which may result in rounding differences in the casting of the tables above.
- The layout of the above tables has been amended since the last report with the purpose being greater consistency across closely related companies of the Lehman Brothers group.
- The work completed in relation to Asset Realisations has been separated into a separate category from Strategy & Planning to provide additional detail regarding the work being completed in the administration.

Work undertaken in the Reporting Period

Included earlier in this section is an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table more detail is provided on the key areas of work.

Category	Description of tasks
<p>Accounting & Treasury</p> <p>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.</p>	<ul style="list-style-type: none"> • 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 the optimal level of funds is 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.
<p>Strategy & Planning</p> <p>The inherent complexities of the Company's 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, for the ultimate benefit of creditors as a whole.</p>	<ul style="list-style-type: none"> • Consideration of strategy to maximise the outcome for LBH12'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.
<p>Asset Realisations</p> <p>The work done by the Administrators in relation to asset realisations is important in order to maximise returns to creditors by managing potential recoveries and working with the relevant parties as necessary to further the best strategy.</p>	<p>LBIE and Wentworth</p> <ul style="list-style-type: none"> • Meetings and correspondence with tax and legal advisors and the Wentworth Joint Venture partners; • Update meetings with, and reports from, LBIE and discussing strategy with the Wentworth Joint Venture partners; • Reviewing LBIE progress reports to creditors in context of future recoveries; • Attendance at and acting as chairman in Wentworth overseas board meetings; • Calculating and review of funds due to and from various Wentworth parties; • Liaising with Wentworth service providers in Luxembourg and Cayman islands; • Assisting with the liquidation of obsolete Wentworth entities; • Assisting with the pursuit of HMRC withholding tax claims; • Reviewing financial information from Wentworth; and • Dealing with administrative issues, compliance and accounting relating to Wentworth.
<p>Statutory & Compliance</p> <p>This relates to work the Administrators undertake in order to ensure compliance with statutory and regulatory requirements.</p>	<ul style="list-style-type: none"> • Preparing and circulating the Administrators' 30th progress report to creditors; • Preparing time cost information in support of the Administrators' billing; • Dealing with statutory filings and Companies House and the Court; • Preparing the Administrators' internal six-monthly case review in accordance with professional requirements; • Management 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.

<p>Creditors & Distributions</p> <p>This relates to tasks undertaken in relation to creditors, including the calculation and payment of distributions and responding to inbound creditor queries received.</p>	<ul style="list-style-type: none"> • Preparing and circulating the Notice of Intended Dividend to subordinated creditors and Notice of Declaration of Dividend; • Planning, calculating and paying the seventh interim distribution to subordinated creditors and dealing with associated legal notices; and • Communications in relation to creditors' claims.
<p>Tax & VAT</p> <p>Work reported in this category includes compliance with tax legislation under the Administrators' obligations as proper officers for tax, and planning to ensure the efficient realisation of assets for the benefit of the Company's creditors as a whole.</p>	<ul style="list-style-type: none"> • Calculation of tax provisions; • Ongoing reviews of group relief / losses position to determine amounts available for surrender; • Beginning preparation of tax returns for the year ended 14 January 2024; • Preparing VAT returns as required by HMRC despite the Company's VAT status; and • Dealing with tax and VAT queries.

Future work

Examples of work remaining to be done to achieve the purpose of the Administration are shown below. This is not an exhaustive list.

Category	Description of tasks
<p>Accounting & Treasury</p> <p>Est. future cost: £500k</p>	<ul style="list-style-type: none"> • Provision of information for the purposes of statutory reporting; • Arrangement of receipts and payments of funds and coding of movements; • Monitoring flow of funds into the bank accounts; • Reconciling and closing bank accounts; and • Facilitating payments to the Company's creditors.
<p>Strategy & Planning</p> <p>Est. future cost: £250k</p>	<ul style="list-style-type: none"> • Directing the overall strategy for the Company; • Ongoing reviews and maintenance of financial information, including updating the estimated outcome statement; • Consideration of Partial Discharge on the LBL intercompany debt; • Ongoing reviews of the remaining assets in LBIE and managing these in order to achieve closure of the subsidiary estates; • Oversight of reporting and accounting, including periodic meetings to monitor progress.
<p>Asset Realisations</p> <p>Est. future cost: £1,770k</p>	<ul style="list-style-type: none"> • Liaising with various advisors and the Wentworth Joint Venture partners regarding the ongoing strategy; • Attending Wentworth overseas board meetings; • Update recovery and payment estimates between various Wentworth parties; • Review updates from LBIE and other intercompany entities in consideration of their impact on LBH12 regarding future recoveries; • Liaise with Wentworth service providers in Luxembourg and Cayman islands; • Assist with the liquidation of obsolete Wentworth entities; • Assist with the pursuit of HMRC withholding tax claims; and • Dealing with or assisting administrative issues, compliance and accounting relating to Wentworth.
<p>Statutory & Compliance</p> <p>Est. future cost: £500k</p>	<ul style="list-style-type: none"> • Preparing and issuing of further progress reports to creditors; • Six monthly reviews of case progress; • Managing and updating communications on the Company's dedicated website, maintaining and managing case files, records and the Company's database • Statutory filings at Companies House and Court; • Planning and applying for further extensions of the administration as required; and • Preparing for and dealing with closure of the administration and dissolution of the Company.

<p>Creditors & Distributions</p> <p>Est. future cost: £80k</p>	<ul style="list-style-type: none"> ● Preparing and circulating further Notices of Intended Dividend to subordinated creditors and Notices of Declaration of Dividend; ● Planning, calculating and paying the remaining distributions to subordinated creditors and dealing with associated legal notices; and ● Communications in relation to creditors' claims.
<p>Tax & VAT</p> <p>Est. future cost: £800k</p>	<ul style="list-style-type: none"> ● Preparation and submission of corporation tax computations and returns; ● Consideration of impact on the Company of changes to UK tax legislation, including loss restriction and interest deductibility rules, and the potential impact as part of the corporation tax returns; and ● Compliance with various reporting obligations including tax strategy and corporate criminal offence legislation.

Whilst an estimate of future time costs is provided in the table above, the Administrators caution that actual future costs will be considerably impacted by, among other matters, the timing and quantum of recoveries from LBIE and the resolution of the LBL claim. The estimate provided assumes that this will result in the administration lasting for at least a further 16 months; however, that timeframe may be shortened or lengthened depending on how the above matters are ultimately resolved. Accordingly, the eventual future costs may ultimately be materially different from those provided in the estimate.

Appendix D: Other information

Court details for the administration:	High Court of Justice, Chancery Division, Companies Court - Court Case 429 of 2009 / CR-2009-000052.
Company's registered name:	LB Holdings Intermediate 2
Trading name:	LB Holdings Intermediate 2
Registered number:	05957878
Registered address:	7 More London Riverside, London, SE1 2RT, United Kingdom
Date of the administration appointment:	14 January 2009
Joint Administrators' names, addresses and contact details:	Gillian Eleanor Bruce, David James Kelly and Edward John Macnamara of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT Email: uk_lehmanaffiliates@pwc.com
Changes in Administrator:	<p>On 14 January 2009, Derek Anthony Howell, Anthony Victor Lomas, Steven Anthony Pearson and Michael John Andrew Jervis were appointed as Joint Administrators.</p> <p>On 30 November 2009, Dan Yoram Schwarzmann was appointed as an additional Joint Administrator.</p> <p>On 22 March 2013, Gillian Eleanor Bruce and Julian Guy Parr replaced Dan Yoram Schwarzmann and Michael John Andrew Jervis as Joint Administrators.</p> <p>On 16 July 2018, Edward John Macnamara, Russell Downs and Ian David Green replaced Julian Guy Parr, Steven Anthony Pearson and Anthony Victor Lomas as Joint Administrators.</p> <p>On 16 June 2021, David James Kelly replaced Ian David Green as Joint Administrator.</p> <p>On 30 November 2021, Derek Anthony Howell and Russell Downs ceased to act as Joint Administrators.</p>
Extensions to the initial period of appointment:	The High Court of Justice has granted seven extensions to the Administration period, to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; 30 November 2020; 30 November 2022; and 30 November 2025.
