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# *Lehman Brothers (PTG) Limited – in Administration*

Joint Administrators' progress  
report for the period 6 November  
2017 to 5 May 2018

31 May 2018

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# **Section 1 Purpose of the Joint Administrators' progress report**

## **Introduction**

This is the 19th progress report prepared by the Joint Administrators (the "Administrators") of Lehman Brothers (PTG) Limited (in Administration) ("LB PTG" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 5 May 2018 (the "reporting period").

## **Objectives of the Administration**

The Administrators are pursuing the objective of achieving a better result for LB PTG's creditors as a whole than would be likely if LB PTG were wound up (without first being in Administration).

The specific aims of this Administration are to:

- Realise all assets, including cash and interest in real estate, on a managed basis;
- Mitigate so far as possible and agree in principle the claims of all creditors; and
- Continue to manage the investments in LB PTG's subsidiaries to maximise returns to creditors.

## **Outcome for creditors**

On 24 June 2013, the Court granted the Administrators permission to make distributions to unsecured creditors.

Total cash distributions of c.£92.2m have been paid to date, equating to a cumulative dividend of 50.45 pence in the pound. Please see Section 2 for further details.

The Administrators expect to make a further interim cash distribution later in the year, although the quantum and timing is yet to be determined.

## **Future reports**

The Administrators will report to creditors again in approximately six months.

Signed:



GE Bruce  
Joint Administrator  
Lehman Brothers (PTG) Limited

*DA Howell, AV Lomas, SA Pearson, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers (PTG) Limited to manage its affairs, business and property as agents without personal liability. DA Howell, AV Lomas, SA Pearson, GE Bruce and JG Parr 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.*

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

### ***Overview***

LB PTG was initially funded by Lehman Brothers Holdings Inc. ("LBHI") with the objective of investing in real estate companies within the Lehman Brothers group, principally Eldon Street Holdings Limited ("ESH") and Thayer Properties Limited, which owns the Burford group of companies.

Creditors will recall that the Company's assets fell into three primary categories:

- (i) Debtor balances due from LB PTG's immediate group as well as the wider Lehman Brothers group;
- (ii) Directly owned interests in commercial real estate; and
- (iii) Investments in subsidiary companies ("the PTG Group").

### ***Administrators' actions to date***

Details of the Administrators' steps to realise LB PTG's key assets are set out below.

#### ***Debtor realisations***

##### **Mable Commercial Funding Limited ("Mable")**

LB PTG has an admitted claim against Mable of £3.7k. To date, the Company has received seven dividends totalling 75.58 pence in the pound. The quantum and timing of further dividends from Mable remain uncertain.

#### ***Distributions from UK subsidiaries***

LB PTG has an admitted claim against ESH of £210.6m. ESH declared and paid an eighth interim dividend of £12m representing 5.71 pence in the pound. Cumulative receipts from ESH now total c.£95.6m.

The Company received its first equity dividend of £0.6m from Grace Hotels Limited (in liquidation) ("Grace Hotels").

The office holders of ESH and Grace Hotels have advised they anticipate further dividends are likely to be paid to the Company from their estates, though the quantum and timing remain uncertain.

Nominal final distributions were received from subsidiaries, Platform Home Mortgage Securities No.4 Limited and Platform Commercial Mortgage Limited (both in liquidation). No further distributions are expected.

#### ***Overseas subsidiary investments***

In prior periods, LB PTG has recovered €4.7m from its investments in subsidiaries, including the sale of Italian real estate assets. Further distributions are expected from Initium SRL, but the timing and quantum remain uncertain.

#### ***Distributions to creditors***

During the reporting period, the Company's unsecured creditors received a further interim distribution of £10m representing an eighth dividend of 5.47 pence in the pound. This brings the total cash distributions to c.£92.2m equating to a cumulative dividend of 50.45 pence in the pound.

#### ***Corporation Tax***

The corporation tax return for the year ended 5 November 2016 was submitted to HM Revenue & Customs ("HMRC") on 17 November 2017 and showed a small profit for the period sheltered by brought forward losses. The enquiry period for the 2016 corporation tax return closes on 31 January 2019. All corporation tax returns up to and including the year ended 5 November 2015 have been agreed

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by HMRC. The tax computation for the year ended 5 November 2017 will be drafted in due course.

### ***Finance (No.2) Act 2017***

LB PTG has c.£0.6m of non-trading tax losses and c.£2.5m of management expense losses carried forward as at 5 November 2016. New rules may affect the utilisation of LB PTG's losses carried forward and the availability of losses in the wider group for group relief purposes.

### ***Administrators' investigations and actions***

Nothing has come to the Administrators' attention in the course of the Administration or during the reporting period to suggest that any further work is required in accordance with the Administrators' duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No 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 - case 9851 of 2008

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*Full name:* Lehman Brothers (PTG) Limited

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*Trading name:* Lehman Brothers (PTG) Limited

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*Registered number:* 04108157

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*Registered address:* 7 More London Riverside, London, SE1 2RT, United Kingdom

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*Date of the Administration appointment:* 6 November 2008

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*Administrators' names and addresses:* AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

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*Appointer's/Applicator's names and addresses:* The directors of the Company, 7 More London Riverside, London, SE1 2RT

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*Objective being pursued by the Administrators:* Achieving a better result for LB PTG's creditors as a whole than would be likely if LB PTG were wound up (without first being in administration)

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*Division of the Administrators' responsibilities:* In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised 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 Joint Administrators

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*Details of any extensions of the initial period of appointment:* 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 2017; and to 30 November 2019.

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## **Section 4 Financial information**

### **Receipts and payments account**

An account of the receipts and payments for the six months to 5 May 2018 and a cumulative total since commencement of the Administration is set out in Section 5.

### **Administrators' expenses**

As outlined in the Administrators' previous report, Statement of Insolvency Practice 9 ("SIP9") was revised with effect from 1 December 2015.

As required by SIP9, set out in Section 6 is a statement of expenses incurred by the Administrators since their appointment, together with an estimate of future expenses.

### **Administrators' remuneration**

In January 2009, the Administrators requested and received consent from LB PTG'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 Administrators were also authorised to 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 October 2017 to 31 March 2018, together with the cumulative time costs from the date of the Administrators' appointment; and

(ii) a summary of the Administrators' time costs for the period 1 October 2017 to 31 March 2018, including the key categories of work undertaken, details of the work undertaken and a description of why the work was necessary, including if it was undertaken because it was required by statute.

Time costs for period 1 October 2017 to 31 March 2018 total c.£138k plus VAT, which represents 348 hours at an average hourly rate of £398.

As at 5 May 2018, the Administrators have drawn remuneration of c.£2.1m plus VAT in respect of time costs incurred to 31 March 2018.

### **Disbursements**

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 approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

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

The Administrators incurred Category 1 disbursements of £29 in the six months to 5 May 2018. These have not yet been paid. No Category 2 disbursements were incurred or paid in the six months to 5 May 2018.

### **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%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx](http://www.icaew.com/~/_media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx)

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

# Section 5 Receipts and payments account

|  | Notes       | GBP               |                        | EUR               |                  | USD                    |                  |                  |          |                  |
|--|-------------|-------------------|------------------------|-------------------|------------------|------------------------|------------------|------------------|----------|------------------|
|  |             | 05-May-18         | Movements<br>in Period | 05-Nov-17         | 05-May-18        | Movements<br>in Period | 05-Nov-17        |                  |          | 05-May-18        |
| <b>Receipts</b>  | <b>1</b>    |                   |                        |                   |                  |                        |                  |                  |          |                  |
| Distributions received   |             | 93,031,202        | 12,629,814             | 80,401,388        | 1,106,032        | -                      | 1,106,032        | 4,163,345        | -        | 4,163,345        |
| Asset realisations   |             | -                 | -                      | -                 | 3,643,180        | -                      | 3,643,180        | -                | -        | -                |
| Loan from group company  |             | 30                | -                      | 30                | -                | -                      | -                | -                | -        | -                |
| Sale of tax losses   |             | 51,284            | -                      | 51,284            | -                | -                      | -                | -                | -        | -                |
| VAT refunds repaid to Lehman Brothers Limited                      |             | -                 | -                      | -                 | -                | -                      | -                | -                | -        | -                |
| Corporation tax refund   |             | -                 | -                      | -                 | -                | -                      | -                | -                | -        | -                |
| Net tax function costs recharged                                   |             | 249,930           | -                      | 249,930           | -                | -                      | -                | -                | -        | -                |
| Assets held on trust   |             | 399               | -                      | 399               | -                | -                      | -                | -                | -        | -                |
| Interest received gross  |             | 85,789            | 3,703                  | 82,086            | -                | -                      | -                | 14               | -        | 14               |
| <b>Total receipts</b>  |             | <b>93,418,634</b> | <b>12,633,517</b>      | <b>80,785,117</b> | <b>4,749,212</b> | <b>-</b>               | <b>4,749,212</b> | <b>4,163,359</b> | <b>-</b> | <b>4,163,359</b> |
| <b>Payments</b>  |             |                   |                        |                   |                  |                        |                  |                  |          |                  |
| Legal fees   |             | 191,163           | 22,582                 | 168,581           | -                | -                      | -                | -                | -        | -                |
| Professional fees  |             | 29,765            | -                      | 29,765            | -                | -                      | -                | -                | -        | -                |
| Employee wages and associated costs                                | <b>2</b>    | 337,991           | 2,076                  | 335,915           | -                | -                      | -                | -                | -        | -                |
| Joint Administrators' remuneration                                 |             | 2,140,520         | 223,080                | 1,917,440         | -                | -                      | -                | -                | -        | -                |
| Joint Administrators' category 1 disbursements                     |             | 3,406             | -                      | 3,406             | -                | -                      | -                | -                | -        | -                |
| Payment for group relief   |             | 342,723           | -                      | 342,723           | -                | -                      | -                | -                | -        | -                |
| Statutory advertising  |             | 83,577            | 10,562                 | 73,015            | -                | -                      | -                | -                | -        | -                |
| Insurance  |             | 87,150            | -                      | 87,150            | -                | -                      | -                | -                | -        | -                |
| Pension related legal costs  |             | 97,522            | -                      | 97,522            | -                | -                      | -                | -                | -        | -                |
| Payment on account to HMRC for potential corporation tax liability | <b>3</b>    | 300,000           | -                      | 300,000           | -                | -                      | -                | -                | -        | -                |
| IT costs   |             | 5,741             | -                      | 5,741             | -                | -                      | -                | -                | -        | -                |
| VAT irrecoverable  | <b>4</b>    | 434,795           | 52,275                 | 382,520           | -                | -                      | -                | -                | -        | -                |
| Bank charges   |             | -                 | -                      | -                 | 5                | -                      | 5                | -                | -        | -                |
| <b>Total payments</b>  |             | <b>4,054,353</b>  | <b>310,575</b>         | <b>3,743,778</b>  | <b>5</b>         | <b>-</b>               | <b>5</b>         | <b>-</b>         | <b>-</b> | <b>-</b>         |
| <b>Intracompany transfers</b>                                      |             |                   |                        |                   |                  |                        |                  |                  |          |                  |
| Receipt  |             | 3,718,840         | -                      | 3,718,840         | -                | -                      | -                | -                | -        | -                |
| Payment  |             | -                 | -                      | -                 | (4,507,780)      | -                      | (4,507,780)      | -                | -        | -                |
| <b>Total receipts less total payments</b>                          |             | <b>93,083,121</b> | <b>12,322,942</b>      | <b>80,760,179</b> | <b>241,427</b>   | <b>-</b>               | <b>241,427</b>   | <b>4,163,359</b> | <b>-</b> | <b>4,163,359</b> |
| <b>Distributions to unsecured creditors</b>                        |             |                   |                        |                   |                  |                        |                  |                  |          |                  |
| 1st dividend of 7.50p in the £, declared 29 October 2013           |             | (13,717,755)      | -                      | (13,717,755)      | -                | -                      | -                | -                | -        | -                |
| 2nd dividend of 10.42p in the £, declared 5 September 2014         |             | (19,058,521)      | -                      | (19,058,521)      | -                | -                      | -                | -                | -        | -                |
| 3rd dividend of 7.52p in the £, declared 11 March 2015             |             | (13,756,814)      | -                      | (13,756,814)      | -                | -                      | -                | -                | -        | -                |
| 4th dividend of 6.60p in the £, declared 10 March 2016             |             | (12,071,616)      | -                      | (12,071,616)      | -                | -                      | -                | -                | -        | -                |
| 5th dividend of 2.55p in the £, declared 9 September 2016          |             | (1,524,019)       | -                      | (1,524,019)       | -                | -                      | (4,163,345)      | -                | -        | (4,163,345)      |
| 6th dividend of 3.488p in the £, declared 16 March 2017            | <b>5</b>    | (6,378,989)       | -                      | (6,378,989)       | -                | -                      | -                | -                | -        | -                |
| 7th dividend of 6.903p in the £, declared 11 September 2017        |             | (12,625,933)      | -                      | (12,625,933)      | -                | -                      | -                | -                | -        | -                |
| 8th dividend of 5.470p in the £, declared 21 March 2018            |             | (10,005,625)      | (10,005,625)           | -                 | -                | -                      | -                | -                | -        | -                |
| <b>Cash in hand / (movement in year)</b>                           |             | <b>3,943,849</b>  | <b>2,317,317</b>       | <b>1,626,532</b>  | <b>241,427</b>   | <b>-</b>               | <b>241,427</b>   | <b>14</b>        | <b>-</b> | <b>14</b>        |
| <b>Cash balances</b>   |             |                   |                        |                   |                  |                        |                  |                  |          |                  |
| HSBC   | <b>6</b>    | 3,943,849         | 2,317,317              | 1,626,532         | 241,427          | -                      | 241,427          | 14               | -        | 14               |
| Money market   |             | -                 | -                      | -                 | -                | -                      | -                | -                | -        | -                |
| <b>Total cash</b>  | <b>7, 8</b> | <b>3,943,849</b>  | <b>2,317,317</b>       | <b>1,626,532</b>  | <b>241,427</b>   | <b>-</b>               | <b>241,427</b>   | <b>14</b>        | <b>-</b> | <b>14</b>        |

## Notes

- (1) All of the Company's assets are uncharged, there being no secured creditors.
- (2) Quarterly recharge to Lehman Brothers International (Europe) for providing Tax services, benefiting creditors through cost savings from the centralisation of services.
- (3) Payment on account to HMRC in respect of the potential corporation tax liability arising in the year from (i) subsidiary Grace Hotels final distribution and (ii) held over gain triggered by distributions from ESH.
- (4) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- (5) The fifth interim dividend of 2.55 pence in the pound was paid to unsecured creditors with the payment made from funds held in Sterling (£1.5m) and US Dollars (\$4.2m).
- (6) GBP and USD funds are held in an interest bearing account. EUR accounts are non interest bearing.
- (7) The estimated to realise values of assets shown in the directors' statement of affairs do not represent a meaningful comparison with the current position and are therefore excluded.
- (8) The total GBP equivalent cash in hand at the exchange rate on 4 May 2018 is £4,156,927



## Section 6 Expenses

The following table 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. The table also excludes any potential tax liabilities (other than VAT) that may be payable as an Administration expense, as amounts becoming due will depend on the position at the end of the tax 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 and to date.

In estimating future expenses, assumptions have been made relevant to the annual run rate and length of the current period of extension to the Administration, where appropriate.

|  | <b>Brought forward from preceding period<br/>£k</b> | <b>Paid in the period<br/>£k</b> | <b>Cumulative<br/>£k</b> | <b>Incurred and not paid<br/>£k</b> | <b>Estimated future<br/>£k</b> | <b>Anticipated total<br/>£k</b> |
|--|---|----------------------------------|--------------------------|-------------------------------------|--------------------------------|---------------------------------|
| Legal fees   | 169   | 23                               | 192                      | -                                   | 50                             | 242                             |
| Pension related legal costs                          | 98  | -                                | 98                       | -                                   | -                              | 98                              |
| Employee wages and associated costs                  | 335   | 2                                | 337                      | -                                   | 38                             | 375                             |
| Joint Administrators' remuneration and disbursements | 1,921   | 223                              | 2144                     | 9                                   | 300                            | 2,453                           |
| Other*   | 195   | 11                               | 206                      | -                                   | 25                             | 231                             |
| Irrecoverable VAT                                    | 382   | 52                               | 434                      | 2                                   | 166                            | 602                             |
| <b>Total</b>   | <b>3,100</b>  | <b>311</b>                       | <b>3,411</b>             | <b>11</b>                           | <b>579</b>                     | <b>4,001</b>                    |

\*Other costs include statutory advertising for the eighth dividend and professional fees.

## Section 7 Joint Administrators' time costs for the period 1 October 2017 to 31 March 2018

| Classification of work   | Partner / Director |               | Senior Manager / Manager |               | Senior Associate |               | Associate / Support Staff |               | Total         |                  |
|--|--------------------|---------------|--------------------------|---------------|------------------|---------------|---------------------------|---------------|---------------|------------------|
|  | Hours              | £             | Hours                    | £             | Hours            | £             | Hours                     | £             | Hours         | £                |
| Accounting and Treasury  | -                  | -             | 12.45                    | 5,977         | 24.45            | 8,536         | 28.10                     | 6,921         | 65.00         | 21,434           |
| Creditors  | 0.50               | 410           | 32.10                    | 16,129        | 29.65            | 9,011         | 1.25                      | 306           | 63.50         | 25,856           |
| Statutory and Compliance   | 7.30               | 5,699         | 34.25                    | 16,867        | 61.00            | 17,364        | 9.50                      | 2,328         | 112.05        | 42,258           |
| Strategy and Planning  | 13.20              | 11,300        | 32.85                    | 16,342        | 19.80            | 6,191         | 2.75                      | 674           | 68.60         | 34,507           |
| Tax and VAT  | 4.00               | 3,329         | 4.10                     | 3,362         | 11.25            | 3,382         | 19.05                     | 4,344         | 38.40         | 14,417           |
| <b>Total for six months ended 31 March 2018</b>                      | <b>25.00</b>       | <b>20,738</b> | <b>115.75</b>            | <b>58,677</b> | <b>146.15</b>    | <b>44,484</b> | <b>60.65</b>              | <b>14,573</b> | <b>347.55</b> | <b>138,472</b>   |
| <b>Average hourly rate for the six month period to 31 March 2018</b> |                    |               |                          |               |                  |               |                           |               |               | <b>398</b>       |
| <b>Cumulative total to 31 March 2018</b>                             |                    |               |                          |               |                  |               |                           |               |               | <b>2,140,520</b> |

| Current charge out rates | Business Recovery Services |                  | Specialist       |                  |
|--------------------------|----------------------------|------------------|------------------|------------------|
|                          | Max £/hr                   | Max £/hr         | Max £/hr         | Max £/hr         |
| Grade                    | From 1 July 2015           | From 1 July 2017 | From 1 July 2015 | From 1 July 2017 |
| Partner                  | 899                        | 935              | 1,262            | 1,312            |
| Director                 | 788                        | 820              | 1,108            | 1,152            |
| Senior Manager           | 527                        | 548              | 932              | 969              |
| Manager                  | 444                        | 462              | 680              | 707              |
| Senior Associate         | 371                        | 386              | 505              | 525              |
| Associate/Support Staff  | 236                        | 245              | 235              | 244              |

The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Administrators and their staff is 0.05 of an hour.

Specialist departments within PwC, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour.

Charge out rates were held unchanged from 1 July 2012 to 30 June 2015. An increase of 3% in charge out rates was effective from 1 July 2015 to 30 June 2017. An increase of 4% in charge out rates is effective from 1 July 2017, and in line with other Group affiliates controlled by PwC's office holders, this approach is also used for LB PTG.

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## ***Summary of the Joint Administrators' time costs for the period 1 October 2017 to 31 March 2018***

### ***Accounting and treasury - £21,434***

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 include:

- 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;
- Reconciliation of bank accounts;
- Verifying creditor payment details; and
- Paying the eighth distribution to creditors in March 2018.

### ***Creditors - £25,856***

In accordance with their duties, the Administrators have responded to creditors' requests for information where applicable, and paid an eighth unsecured dividend in the reporting period.

Activities include:

- Maintaining and updating the schedule of creditors' claims received and adjudicated;
- Preparing for and declaring the eighth dividend to unsecured creditors; and
- Updating the estimated outcome statement in preparation for the eighth distribution.

### ***Statutory and compliance - £42,258***

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

- Preparation and circulation of the Administrators' 18th progress report to creditors;
- Preparation of a receipts and payments account, detailed remuneration and future expenses summaries for the progress report;
- Statutory filings at Companies House and the Court;
- Preparation of the Court application and witness statement to extend the Administration and also attendance at the Court hearing;
- Managing and updating communications on LB PTG's dedicated website;
- Preparation of the Administrators' internal six monthly case review in accordance with professional requirements;
- Producing and reviewing detailed time cost analyses for billing purposes;
- Maintaining case files/ records and the LB PTG database; and
- Dealing with other ad-hoc compliance and statutory issues.

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### ***Strategy and planning - £34,507***

The Administrators and their staff have invested a large proportion of their time in the planning and delivery of their strategy for the progression of the Administration. The Administrators' consider that their actions support their objective of achieving a better result for LB PTG's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and continue to explore strategies leading to the conclusion of the Administration. The Administrators' anticipate that the Company will be dissolved after conclusion of the Administration.

Activities include:

- Consideration of strategy including planning of eighth distribution to maximise the outcome for LB PTG's creditors and updating strategy documents;
- Discussion with stakeholders in regards to this strategy;
- Ongoing review and maintenance of financial information, including an estimated outcome statement;
- Review of assets in subsidiary companies and determining strategies to best manage these in order to achieve closure of the subsidiary estates;
- Regular case team meetings to manage case progression; and
- Liaison with specialist internal teams.

### ***Tax and VAT – £14,417***

The following tasks were undertaken for VAT and tax compliance purposes:

- Reconciliation, preparation and submission of the quarterly VAT returns;
- Dealing with corporation tax and VAT queries;
- Preparation and submission of the 2016 accounts for corporation tax purposes;
- Preparation of the 2017 accounts for corporation tax purposes;
- Compliance with the Administrators' responsibilities under Senior Accounting Officer legislation, Tax Strategy, Corporate Criminal Offence legislation and Substantial Shareholding Exemption rules; and
- Preparation for and attendance at quarterly tax update meetings.

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

LB PTG's principal remaining asset is its £210.6m unsecured claim against ESH. The Administrators are still considering the most efficient strategy for realising and distributing remaining assets to the Company's creditors. In the meantime, the Administrators continue to actively progress all other matters pertaining to the estate.

The Administrators currently estimate that their future time costs and disbursements to complete the Administration will be c.£300k, broadly analysed as follows:

|                                | <b>£'000</b>           |
|--------------------------------|------------------------|
| Accounting and treasury        | 40                     |
| Creditors                      | 60                     |
| Statutory and other compliance | 100                    |
| Strategy and Planning          | 70                     |
| Tax and VAT                    | 30                     |
|                                | <hr/> <b>300</b> <hr/> |

The nature of the work and benefit for creditors and / or whether it needs to be undertaken for statutory or regulatory reasons will be as outlined in Section 7 in regard to activity for the six months to 31 March 2018.

During the next six months, the Administrators will continue to realise debtor recoveries, which are uncertain due to LB PTG's debt holding in other complex estates, and its interest in its last remaining overseas subsidiary, Initium SRL, to facilitate further distributions to creditors. In addition the Administrators will continue to comply with their statutory obligations as Administrators and officers for tax.

### ***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 LB PTG by employees retained by LBIE. These include the provision of certain Tax and VAT services and key staff resource. The costs of such services are invoiced directly and shown as "Employee wages and associated costs" (include wages, annual bonus and serviced office costs) on the receipts and payments account in Section 5. Other subcontracted work includes the management of LB PTG's investment in Italian subsidiaries and real estate.

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| <b>Service provided</b> | <b>Name of firm / organisation</b> | <b>Reason selected</b>    | <b>Basis of fees</b> |
|-------------------------|------------------------------------|---------------------------|----------------------|
| Tax Services            | <i>LBIE</i>                        | <i>Industry knowledge</i> | <i>Time costs</i>    |

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|                       |                                |                                   |                   |
|-----------------------|--------------------------------|-----------------------------------|-------------------|
| Investment Management | <i>MCD SRL</i>                 | <i>Industry / Prior Knowledge</i> | <i>Time costs</i> |
| Portfolio Management  | <i>LB SF Warehouse Limited</i> | <i>Industry / Prior Knowledge</i> | <i>Time costs</i> |

### *Legal and professional firms*

The Administrators have instructed the following legal professionals on this case. The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists.

| <b>Service provided</b> | <b>Name of firm / organisation</b> | <b>Reason selected</b>    | <b>Basis of fees</b> |
|-------------------------|------------------------------------|---------------------------|----------------------|
| Legal services:         | <i>Linklaters LLP</i>              | <i>Industry knowledge</i> | <i>Time costs</i>    |

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 and professional costs are appropriate.