
***LB UK RE Holdings
Limited –
In Administration***

Joint Administrators' progress
report for the period 15 March
2022 to 14 September 2022

12 October 2022

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Section 1 Joint Administrators' progress report

Introduction

This is the twenty-eighth progress report by the joint administrators (“Joint Administrators” or “Administrators”) of LB UK RE Holdings Limited (In Administration) (“LB UK RE” or the “Company”).

If any creditor requires copies of the previous reports these are available on the Administrators' website <https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lb-uk-re-holdings-limited-in-administration.html>. Alternatively, please contact Stephen Ingle at PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

This report provides details of the progress of the administration in the six months to 14 September 2022 (the “Period”).

Residual asset distributions

As previously reported, the terms pursuant to which ownership of LB UK RE's remaining assets should be transferred to Lehman Brothers Holdings Inc. (“LBHI”) or creditors controlled by LBHI (being the only remaining creditors of the Company), were agreed by way of a residual assets transfer agreement (“RATA”). In the period covered by the twenty-second progress report, the remaining claims held by creditors controlled by LBHI were assigned to LBHI, leaving LBHI as the sole creditor of LB UK RE.

During the Period the Administrators and LBHI have continued to work closely to determine the most appropriate transfer/ closure/realisation strategy for each of the remaining assets.

Closure of the administration

The Administrators' appointment is currently due to expire on 30 November 2022.

Prior to the dissolution of LB UK RE, the HMRC Request (as defined further below) will need to be resolved, following which the Administrators will be able to distribute to LBHI the remaining funds held by LB UK RE.

The Administrators are working to resolve the HMRC Request as expeditiously as possible, but may not be able to do so prior to 30 November 2022.

Consequently, if additional time is necessary to resolve the HMRC Request, the Administrators intend to apply to Court to extend the administration for a further period of 6 months to 31 May 2023.

When appropriate, the Administrators intend to bring LB UK RE's administration to an end, pursuant to paragraph 84 of Schedule B1 to the Insolvency Act 2016 (the “Act”). Pursuant to paragraph 84(6) of Schedule B1 to the Act, LB UK RE will be dissolved three months thereafter. The Administrators intend shortly to apply to Court to specify the time at which their discharge from liability, pursuant to paragraph 98 of Schedule B1 to the Act, shall take effect.

Assets

Introduction

LB UK RE was principally involved in the management of investments in portfolios of sub-performing, non-performing and performing loans (“SNPLs”) and in real estate. It also held other investments and shareholdings in companies and hedge funds (“Principal investments”), as well as various intercompany claims against other insolvent Lehman affiliates.

Please see previous progress reports for more detail in respect of the assets themselves, and the various asset collection strategies adopted by the Administrators.

Key progress in the Period

Loan portfolios

The Administrators have secured collections from the SNPL portfolios during the administration of £359.5m.

In respect of the German portfolio the Administrators have, in conjunction with key stakeholders, continued to progress the closure of elements of the securitisation structure for which

LB UK RE has contractual or ownership responsibilities.

This has included working with stakeholders and parties to the securitisation structure to progress the remaining steps required to effect LB UK RE's release from the indemnity granted to one of the parties to the securitisation structure. Good progress in this respect has been made in the Period such that no further specific action is required in respect of the German portfolio prior to the closure of LB UK RE.

Real estate investments

The Administrators have realised £91.5m to date from real estate assets. As previously reported, this is as a result of:

- Selling investments or loans and enforcing the repayment of loans held by subsidiaries, which has resulted in realisations of £24.9m to date; and
- Selling individual properties within portfolios to the value of £268m to date to prepay senior lenders and release cash to assist in servicing the remaining assets in the portfolios.

In addition, the Administrators have:

- Liaised with LBHI to enable, in due course, the efficient transfer or other alternative resolution of:
 - Dyra S.a.r.l. shares and shareholder loan. The Administrators now consider this workstream to be closed as it is not expected to generate any realisations; and
 - tax receivable from Spanish authorities (complete).

Where appropriate, work included negotiating and drafting the transfer or assignment documents, providing any required powers of attorney, and attending to all notary meetings.

Principal investments

As previously reported, all work in respect of the Principal investments has now been completed. Total realisations were £438.5m.

Inter-company claims

As previously reported, all intercompany debts have either been realised or transferred to LBHI or the LBHI-controlled creditors. Total realisations were £48.0m.

Future strategy

As set out above, LB UK RE's remaining assets are in the course of being disposed of or transferred to LBHI. The Administrators do not expect to make any further realisations, and will make a final distribution to LBHI following resolution of the HMRC Request (as defined further below).

Taxation issues

HMRC granted corporation tax clearance for LB UK RE on 5 October 2016. All tax computations up to 30 June 2016 have been agreed by HMRC. In recent correspondence, HMRC has requested submission of tax computations for subsequent periods owing to the lapse of time since granting the initial tax clearance request (the "**HMRC Request**"). Further work will therefore be required by the Administrators to consider the HMRC Request and respond as appropriate. The Administrators will progress and resolve the position as expeditiously as possible.

The main work undertaken by the Administrators in the Period, has been in relation to:

- Continued review of assets being transferred under the RATA to ensure that transfers are in line with the expectations as at the date the tax clearance application was submitted;
- Liaising with HMRC regarding enquiries made including further discussions with HMRC regarding imminent closure of the administration; and
- Compliance with the Administrators' various regulatory obligations.

To date, Value Added Tax ("VAT") totalling £7.6m has been repaid to LB UK RE.

As previously reported, LB UK RE was de-registered for VAT with effect from 1 September 2016. All VAT due to LB UK RE for the period during which it was a member of the Lehman UK VAT group has been recovered by the representative member and paid to LB UK RE.

A portion of the input VAT on costs incurred by LB UK RE after it ceased to be a member of the VAT group can be recovered post de-registration. Claims submitted by LB UK RE, once agreed, are paid directly by HMRC.

To date, seven post de-registration claims, relating to input VAT incurred up to 31 December 2021, have been submitted, with repayments made to LB UK RE.

In the Period, a VAT repayment of £50k was received in relation to the seventh post de-registration claim for input VAT incurred by LB UK RE up to 31 December 2021.

Future reports

As mentioned above, the Administrators anticipate that they will be in a position to bring the administration to an end on or prior to 31 May 2023, and will therefore next report to creditors in six months or earlier depending on progress towards ending the administration.



D Y Schwarzmann

Joint Administrator

LB UK RE Holdings Limited

DY Schwarzmann, EJ Macnamara, GE Bruce and DJ Kelly have been appointed as Joint Administrators of LB UK RE Holdings Limited. The Joint Administrators were appointed to manage the Company's affairs, business and property as agents without personal liability.

DY Schwarzmann, EJ Macnamara, GE Bruce and DJ Kelly are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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.

*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>.*

Section 2 Statutory and other information

<i>Court details for the administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 7944 of 2008.
<i>Full name:</i>	LB UK RE Holdings Limited.
<i>Trading name:</i>	LB UK RE Holdings Limited.
<i>Registered number:</i>	05347966.
<i>Registered address:</i>	7 More London Riverside, London SE1 2RT, United Kingdom.
<i>Date of the administration appointment:</i>	15 September 2008.
<i>Administrators' names and addresses:</i>	DY Schwarzmann, EJ Macnamara, GE Bruce and DJ Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.
<i>Appointer's name and address:</i>	High Court of Justice, Chancery Division, Companies Court on the application of LB UK RE's directors.
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LB UK RE's creditors as a whole than would be likely if LB UK RE were wound up (without first being in administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to Paragraph 100(2) Schedule B1 of the Insolvency Act 1986, during the period for which the administration is in force, any act required or authorised under any enactment to be done by any or all of the Joint Administrators may be done by any 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 court has granted an extension of the administration to 30 November 2022.
<i>Proposed end of the administration:</i>	The Administrators currently envisage that, following the disposal or transfer of the residual assets to LBHI, a notice will be submitted to the Registrar of Companies pursuant to Paragraph 84 of Schedule B1 to the Insolvency Act 1986 to move LB UK RE from administration to dissolution. However, the Administrators reserve their rights in relation to other options available to them.
<i>Dividend for unsecured creditors:</i>	Non LBHI-controlled creditors have received 63 pence in the pound in total from LB UK RE. LBHI-controlled creditors should ultimately receive dividends of approximately 60.6%, consisting of both cash and the remaining assets of LB UK RE by way of a distribution in specie.
<i>Estimated values of LB UK RE's net property and the prescribed part:</i>	In the absence of qualifying floating charges, The Insolvency Act 1986 (Prescribed Part) Order 2003 does not apply to these proceedings.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings applies to this administration and the proceedings are the main proceedings.

Section 3 Joint Administrators' remuneration

The approval of the Administrators' remuneration for the period 1 July 2021 to 31 December 2021, totalling £116k plus VAT, was carried out by way of a written resolution of creditors as a whole pursuant to Rule 15 of the Insolvency (England and Wales) Rules 2016 ("IR16"), dated 15 March 2022. The time cost analysis for the period 1 January 2022 to 30 June 2022, totalling £128k plus VAT, was submitted to the remaining creditor after the Period, and subsequently approved. During the Period, the Administrators have drawn remuneration of £96k plus VAT.

Time cost analyses are submitted to the remaining creditor along with such further information that the remaining creditor requires the Administrators to provide, taking into account the requirements of Statement of Insolvency Practice No.9 governing the disclosure of insolvency office holders' time costs and expenses.

The Administrators have drawn remuneration of £53.2m plus VAT in total since the commencement of the administration.

Additional analysis of Administrators' remuneration

The table below provides an analysis of the total hours and cost by grade in respect of the period 1 January 2022 to 30 June 2022. Administrators' time costs incurred during the Period totalled £0.1m.

Grade	Hours	Costs (£)
Partner	3.6	4,427
Director	6.1	5,124
Senior manager	4.2	4,095
Manager	153.5	84,770
Senior associate	39.1	17,807
Overseas Professional	28.9	7,259
Associate	20.5	5,010
Total	256	128,491

The following table provides a further analysis of the total hours and costs incurred by activity:

Activity	Hours	Costs (£)
Working assets/realisations	-	-
Strategy, administration, planning and compliance	84	44,586
Tax and VAT	31	22,781
Creditor reporting, asset transfer management, reserving and closure	67	36,638
Accounting & treasury	74	24,487
Total	256	128,491

Creditor's rights

The creditor has 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. The creditor can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34 IR16. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

A copy may be obtained by the creditor free of charge by contacting Stephen Ingle at PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

Receipts and payments account

An account of the receipts and payments in the administration for the six months to 14 September 2022, and the cumulative total since commencement of the administration, is set out in Section 4 of this report.

Receipts in the Period included £50k in respect of VAT refunds.

Payments in the Period included £96k plus VAT in respect of Administrators' remuneration.

Cash held as at 14 September 2022 totals £1.4m (GBP equivalent).

Section 4 Receipts and payments

	As at 14 September 2022			As at	Movements	As at 14 March	As at
	GBP (£)	US (\$)	EUR (€)	14 September 2022	from 15 March 2022 to	2022 (GBP equivalent)	14 March 2022
	mil	mil	mil	TOTAL GBP equivalent	14 September 2022	RESTATED at 14	(GBP equivalent)
					(GBP equivalent)	September 2022	
						exchange rate	
RECEIPTS							
SNPL recoveries	1.7	63.1	351.2	359.5	-	359.5	345.5
Real estate recoveries	17.9	2.2	83.1	91.5	-	91.5	89.4
Principal investments	69.3	236.9	190.7	438.5	-	438.5	411.3
Other recoveries	0.9	-	-	0.9	-	0.9	0.9
Distributions received	43.4	5.4	-	48.0	-	48.0	47.5
Internal currency transfer	646.5	2.8	1.9	650.6	-	650.6	650.3
Corporation Tax repayments	12.0	-	-	12.0	-	12.0	12.0
VAT repayments	7.6	-	-	7.6	0.1	7.5	7.5
Interest	1.0	0.9	2.8	4.3	-	4.3	4.1
Receipts Grand Totals	800.3	311.3	629.7	1,612.9	0.1	1,612.8	1,568.6
PAYMENTS							
Building and occupancy costs	5.3	-	0.1	5.4	-	5.4	5.4
Payroll and employee costs	18.2	-	4.5	22.1	-	22.1	22.0
Legal fees	19.7	0.1	1.1	20.7	-	20.7	20.7
Insurance premiums	2.2	-	0.2	2.4	-	2.4	2.4
Principal investments	-	0.3	-	0.3	-	0.3	0.2
Acquisition of Portuguese loan portfolio	-	-	7.3	6.3	-	6.3	6.1
Office holders' remuneration	63.6	-	-	63.6	0.1	63.5	63.5
Office holders' disbursements	0.3	-	-	0.3	-	0.3	0.3
Other professional fees	5.2	-	2.2	7.1	-	7.1	7.1
Distribution to unsecured creditors	649.6	-	-	649.6	-	649.6	649.6
Legal Settlement	-	0.1	0.2	0.4	-	0.4	0.3
Real Estate valuation costs	0.2	-	-	0.2	-	0.2	0.2
Firstcity credit facility	-	-	4.0	3.5	-	3.5	3.4
Portuguese tax liability	-	-	1.7	1.5	-	1.5	1.4
Bonus payments in relation to Portuguese assets	-	-	5.7	4.9	-	4.9	4.8
Internal currency transfer	3.3	305.3	566.1	755.8	-	755.8	713.6
LBHL- pursuant to the RATA	19.3	5.4	35.8	54.9	-	54.9	53.6
Transfer to CVA	12.5	-	-	12.5	-	12.5	12.5
Payments Grand Totals	799.4	311.2	628.9	1,611.4	0.1	1,611.2	1,567.1
NET POSITION	0.9	0.1	0.8	1.5	-	1.6	1.4
CASH BALANCES							
HSBC/ Barclays	0.7	0.0	0.7	1.4	-	-	-
Citibank	-	-	-	-	-	-	-
Money markets	-	-	-	-	-	-	-
Total Cash	0.7	-	0.7	1.4	-	-	-
Exchange rate as at 14 March 2022							
	US\$ 1 : GBP	0.7669					
	EURO €1 : GBP	0.8412					
Exchange rate as at 14 September 2022							
	US\$ 1 : GBP	0.8636					
	EURO €1 : GBP	0.8635					
Amounts include VAT where applicable							

This report has been prepared by DY Schwarzmann, EJ Macnamara, GE Bruce and DJ Kelly 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 persons 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/services/business-restructuring/administrations/non-lbie-companies/lb-uk-re-holdings-limited-in-administration.html> Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

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