

The Insolvency Act 1986

Administrator's progress report

Name of Company LB Holdings Intermediate 2 Limited	Company number 05957878
In the High Court of Justice, Chancery Division [full name of court]	Court case number 429 of 2009

(a) Insert full name(s) and address(es) of administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann, Michael John Andrew Jervis and Derek Anthony Howell of

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

from to

(b) 14 January 2011	(b) 13 July 2011
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Signed *Dan Yoram Schwarzmann*

Joint Administrator

Dated 10 August 2011

Contact Details:

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

PricewaterhouseCoopers LLP	
7 More London Riverside, London, SE1 2RT	
	Tel 0207 583 5000
DX Number	DX Exchange

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

Joint Administrators' progress
report for the period 14 January 2011
to 13 July 2011

10 August 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

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

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 13 July 2011

Objectives of the Administration

The Joint Administrators (the "Administrators") are pursuing the objective of achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration).

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors

Creditors' Committee

No Creditors' Committee was formed as only one nomination was received

Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the timing or quantum of the dividend to ordinary unsecured creditors as there are uncertainties regarding both future net realisations and the ultimate quantum of creditors' claims

As previously advised, the Pensions Regulator listed LBHI2 as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that a Financial Support Direction should not be issued against LBHI2. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that LBHI2 will not have liability under an FSD. Accordingly, the Administrators have written to the trustees of the

pension scheme in order to obtain clarification on whether a liability under an FSD will fall to LBHI2.

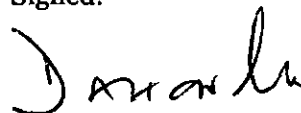
Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue and future asset realisations, the Administrators are expecting to apply to Court for a further extension to the Administration in due course.

Future reports

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

Signed.



DA Howell
Joint Administrator
LB Holdings Intermediate 2 Limited

Section 2 Joint Administrators' actions to date

Overview of the Company's business

LBHI2 holds the investment in Lehman Brothers International (Europe) ("LBIE"). In light of the insolvency of LBIE, it is unlikely that LBHI2 will realise any value from its investment in LBIE.

As previously advised, LBHI2's investment in LBIE was principally financed by the issue of:

- \$6 1bn floating rate notes,
- \$730m of fixed rate notes, and
- A combination of long and short term loan facilities from Lehman Brothers Holdings Plc of which some \$2.2bn remains due

Given that LBIE is an unlimited company, LBHI2 will ultimately be liable for any shortfall to LBIE's creditors if LBIE enters liquidation

Administrators' actions to date

The Administrators have continued to review the tax position of LBHI2 in order to assess the potential value that may be realised through a sale of the tax losses to other Lehman Brothers group companies. Consideration has also been given to which exit route may be chosen in order to maximise realisations for creditors

Dividend prospects

The Administrators are not yet able to determine the likely quantum and timing of any dividend to ordinary unsecured creditors

Receipts and payments

In the six months to 13 July 2011, the Administrators have realised £37 in respect of the sale of tax losses.

It is anticipated that LBHI2 will receive c £6 5m from the sale of further tax losses to group companies, however the timing of this realisation is currently uncertain. An account of the receipts and payments from the start of the administration is set out in section 5 of this report.

Section 3 Statutory and other Information

<i>Court details for the Administration</i>	High Court of Justice, Chancery Division, Companies Court - Court Case 429 of 2009
<i>Full name</i>	LB Holdings Intermediate 2 Limited
<i>Trading name</i>	LB Holdings Intermediate 2 Limited
<i>Registered number:</i>	05957878
<i>Registered address</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors.</i>	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 17/07/09)
<i>Company secretary</i>	P Dave (resigned 25/01/10) and ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	14 January 2009
<i>Administrators' names and addresses.</i>	DA Howell, AV Lomas, SA Pearson, MJA Jervis and DY Schwarzmann of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address</i>	The directors, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators</i>	Achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities</i>	Statement of powers for the purposes of paragraph 100(2) of schedule B1 to the Insolvency Act 1986 The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them
<i>Details of any extensions of the initial period of appointment:</i>	First extension was granted by the High Court of Justice until 30 November 2010 A second extension was granted by the High Court of Justice until 30 November 2011
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them
<i>Estimated dividend for unsecured creditors</i>	It is too early to estimate the likely dividend for unsecured creditors
<i>Estimated values of the prescribed part and LBHI2's net property</i>	Not applicable as there is no qualifying floating charge
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86</i>	Not applicable as there is no prescribed part
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No 1346/2000 of 29 May 2000)</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings

Section 4 Financial Information

Administrators' remuneration

At the meeting of creditors which was held by correspondence on 24 March 2009, creditors resolved that the Administrators' remuneration 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.

To date, the Administrators have not drawn any remuneration. Details of the time costs incurred to 31 May 2011 are attached at Section 6.

Receipts and payments account

An account of the receipts and payments in the Administration to 13 July 2011 is set out overleaf.

Section 5 Receipts and Payments Account

	As at 13 July 2011 GBP (£)	Movements GBP (£)	As at 13 January 2011 GBP (£)
Receipts			
Sale of tax losses	37	37	-
Loan from affiliate	442	-	442
Receipts Grand Totals	479	37	442
Payments			
Statutory costs	384	-	384
Tax function costs	3	3	-
VAT paid	58	-	58
Payments Grand Totals	445	3	442
Net Position	34	34	-
Cash Balances			
HSBC (non-interest bearing)	34	34	-
Total Cash	34	34	-

Section 6 Joint Administrators' time costs for the period 14 January 2009 to 30 June 2011

Classification of work	Partner/Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Accounting and Treasury	-	-	11.3	7,361	0.9	227	14.8	2,729	27.0	10,317
Asset realisations	5.0	3,925	11.0	2,834	5.3	1,170	36.8	3,024	58.1	10,953
Reporting	1.2	943	39.4	16,156	31.8	10,077	51.7	10,073	124.1	37,249
Statutory and Compliance	2.3	1,723	1.1	438	4.9	1,519	15.3	2,907	23.6	6,587
Strategy and planning	8.0	6,315	30.4	13,731	22.9	7,286	1.3	242	62.6	27,574
Tax and VAT	1.3	981	1.5	965	-	-	-	-	2.8	1,946
LBL recharges	0.7	403	10.9	3,965	13.2	3,162	12.4	1,297	37.2	8,827
Grand Total	18.5	14,290	105.6	45,450	79.0	23,441	132.3	20,272	335.4	103,453

The Joint Administrators' policy for charging for disbursements is:

Photocopying is charged at 3p per sheet for creditors and bulk copying
Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)
All other disbursements are charged at cost
Total

Costs to date (£)
-
-
2,225
2,225

Charge out rate to year ended 30 June 2011	Business Recovery Services		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	800	800	980	980
Director	610	610	890	890
Senior manager	470	470	830	830
Manager	395	395	605	605
Senior Associate	330	330	330	330
Associate / Support Staff	210	210	195	195

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 remuneration is to be paid as and when funds become available at the charge-out rates shown for the various grades of staff who may be involved in this administration.

*Specialist departments within PricewaterhouseCoopers LLP, 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.

In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Narrative of the Joint Administrators' time costs for the period 14 January 2009 to 30 June 2011

Accounting and treasury - £10,317

- Preparation of receipts and payments account for statutory reporting;
- Preparation of receipts and payments vouchers;
- Reconciliation of bank accounts; and
- Monitoring flow of funds into the bank accounts.

Asset Realisations - £10,953

- Review financial information including statement of affairs;
- Prepare information in order to file claims against affiliate companies,
- Review evidencing pack to verify claims.

Reporting - £37,249

- Drafting and circulating the Administrators' proposals documents;
- Preparing four 6 monthly Administrators' progress reports,
- Circulating progress report, and
- Statutory filing of reports.

Statutory and compliance - £6,587

- Dealing with statutory issues;
- Review time cost data for accuracy and completeness;
- Undertaking six monthly case reviews,
- Management of case database and file, and
- Maintaining case records and database

Strategy and Planning - £27,574

- Review financial information;
- Discussions regarding extension versus liquidation benefits;
- Liaise with solicitors and prepare documents in relation to the administration extensions;
- Review of activity on the estate by PwC staff and retained Lehman staff; and
- Review of strategy, to ensure strategy continues to be in line with proposals.

Tax and VAT- £1,946

- Tax planning;
- Work on tax compliance process and progress accounts and tax computation preparation,
- Reviewing historic tax computations to locate losses that could be utilised by group companies; and
- Tax and VAT issues

LBL recharges – £8,827

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies