

LB Holdings Intermediate 2 Limited – In Administration

Joint Administrators' progress
report for the period 14 January
2018 to 13 July 2018

8 August 2018

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 19th progress report by the Joint Administrators (the “**Administrators**”) of LB Holdings Intermediate 2 Limited (“**LBHI2**” or the “**Company**”).

This report provides an update on the work the Administrators have undertaken since their appointment, with particular focus on the progress made in the six months to 13 July 2018 (the “reporting period”).

Objectives of the Administration

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) and continue to manage the Administration in accordance with the proposals approved by creditors.

Outcome for creditors

Unsecured, unsubordinated creditors

On 15 June 2017, the Court granted the Administrators permission to make distributions to the Company's unsecured creditors.

A first interim distribution of 100p in the £ plus a share of statutory interest was paid to the Company's unsecured, unsubordinated creditors in September 2017. In total a gross distribution of £940m was declared. The Company expects to be in a position to make further payments in relation to statutory interest.

Subordinated creditors

The Company has received claims from two creditors totalling c.£5.8bn which are, on their terms, subordinated to the claims of other unsecured creditors. These claims will be entitled to receive distributions only if the unsubordinated, unsecured creditors have been paid in full, including statutory interest.

Change of Administrators

Upon an application to the High Court of Justice (the “Court”), an Order (the “Order”) was made on 2 July 2018 that with effect from 16 July 2018, ID Green, R Downs and EJ Macnamara be appointed Administrators and that AV Lomas, SA Pearson and JG Parr cease to be Administrators of the Company.

The Court also ordered that the former Administrators shall be released from all liability (pursuant to the relevant sections of the Insolvency Act 1986 and/ or the 2016 Insolvency Rules) in respect of their acts and omissions and otherwise in respect of their conduct as Administrators of the Company and that such release shall take effect 28 days after notification of the Order in the London Gazette.

The Court gave permission for each creditor of the Company to apply to vary or discharge this Order by making an application within 28 days of notification of the Order in the London Gazette.

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

DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara were appointed as Joint Administrators of LB Holdings Intermediate 2 Limited to manage its affairs, business and property as agents without personal liability. The Joint Administrators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvencypractitioner-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.

Section 2 Joint Administrators' actions to date

Overview

LBHI2 holds interests in both debt and equity in Lehman Brothers International (Europe) (in Administration) ("LBIE").

LBHI2's investment in LBIE was principally financed by:

- The issue of \$6.1bn of floating rate notes;
- The issue of \$730m of fixed rate notes; and
- A combination of long and short term loan facilities from Lehman Brothers Holdings plc ("LBH") of which some \$2.2bn remains due.

Assets

Lehman Brothers International (Europe) ("LBIE")

The Administrators have described in their earlier reports the joint venture that the Company entered into with Elliot Management Corporation and King Street Capital Management L.P in connection with the claims of LBHI2 in LBIE'S estate ("the Joint Venture").

As previously reported, on 22 December 2017 LBIE announced its intention to implement a scheme of arrangement ("the Scheme") which, if approved, would provide for the full and final settlement of predominantly all matters in respect of entitlements to LBIE's surplus.

LBIE's latest progress report dated 10 April 2018 estimates the potential surplus available to repay subordinated debt and post administration interest thereon, which includes the Joint Venture claim, as being between £3.2bn and £2.3bn, based on indicative high and low surpluses of c.£8.3bn and c.£7.4bn respectively. The indicative range of outcomes reflects that there are significant potential movements which could impact the final funds available for the Joint Venture, and therefore for the Company.

In its webinar update to creditors on 16 May 2018, LBIE explained that the initial cash payout from the Scheme, if approved, would be c.£6bn, of which c.£5.1bn would be used to settle the unsubordinated

creditors' statutory interest entitlements, leaving c.£0.9bn available for the Joint Venture.

On 5 June 2018 LBIE's creditors approved the Scheme. The Court was asked to sanction the Scheme at a hearing on 13 June 2018 and it formally became effective on 20 June 2018.

On 2 July 2018 LBIE posted a Full SI Payment Statement in accordance with the Scheme. This confirmed that LBIE would be able to pay all its unsubordinated creditors' interest entitlements in full.

In light of this statement, the LBHI2 Administrators now consider it likely that LBIE will be able also to pay the entire subordinated claim, now held by the Joint Venture, and, in due course, a significant amount of interest thereon.

As a Joint Venture partner, LBHI2 will receive its share of the distributions made by LBIE to the Joint Venture.

The Administrators expect to receive the first distribution from the Joint Venture later this year. While the exact amount of the distribution is not yet confirmed, it is expected to be significant and may well be sufficient to allow LBHI2 to pay the remaining balance of statutory interest to its unsubordinated creditors.

As referred to previously, there remains a range of possible outcomes for the LBIE Administration, reflecting uncertainties around several issues still to be resolved in that estate.

Therefore, the final amounts to be recovered by LBHI2 as a partner in the Joint Venture remain uncertain.

As a result of the Scheme the remaining issues that were outstanding from Waterfall II, as detailed in previous reports, have been dismissed.

Lehman Brothers Limited ("LBL")

Following the settlement of the Waterfall III litigation in September 2017, LBL was able to settle in full LBHI2's principal claim. It is anticipated that

further distributions in respect of the Company's statutory interest entitlement will be received in September 2018.

Lehman Brothers Holdings Inc ("LBHI")

LBHI2's direct and guarantee claims against LBHI were admitted in 2011 in the amounts of \$2.7m and \$302m respectively. Creditors will recall that the Company has sold its direct claim against LBHI.

In the reporting period, LBHI paid a further interim dividend of \$1.2m in respect of the guarantee claim. Cumulative dividends from LBHI now total \$106.6m.

Further distributions from LBHI in respect of the guarantee claim are expected on a six monthly basis.

Under the terms of the guarantee from LBHI, the guarantee payments will be clawed back by LBHI in the eventuality that the principal debt is fully repaid.

Unsecured Creditors

Unsubordinated creditors

Upon settlement of the Waterfall III litigation the Company declared and paid a first interim distribution of 100p in the £ plus a share of statutory interest to LBHI2's unsecured, unsubordinated creditors.

As referred to above, the Scheme will enable a significant distribution to LBHI2 through its interest in the Joint Venture. We anticipate that the Company will be in a position to distribute to unsubordinated creditors some or all of their remaining statutory interest entitlements, and current expectations are that this will happen in September 2018.

Subordinated creditors

LB Holdings Scottish Ltd Partnership 3 and LBH hold debt instruments against the Company. These claims are subordinated to the claims of unsubordinated, unsecured creditors and will only be entitled to receive distributions if the unsubordinated, unsecured creditors have been paid in full (including statutory interest). Should funds become available, there are a number of variables that have a significant impact on both the

quantum and timing of any such distribution, should one be made.

The Administrators have held preliminary discussions with the subordinated creditors concerning the relative ranking of the two claims as it is not certain whether they will rank pari-passu for dividends. As a consensual agreement between the two creditors was not reached, the Administrators issued a court application for directions as to the priority in which the holders of the claims should receive any distributions. An initial hearing to address the management of the case was held in July 2018. The application has been listed for a hearing to begin during the week commencing 11 November 2019.

Investigations

Nothing has come to the Administrators' attention during the reporting period to suggest that they need to do any more work in line with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice 2.

Tax

HM Revenue & Customs ("HMRC") have not raised any queries on corporation tax returns submitted to date. Corporation tax returns covering the accounting periods up to 13 January 2017 have been submitted to HMRC.

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 / CR-2009-000052
<i>Full name:</i>	LB Holdings Intermediate 2 Limited
<i>Trading name:</i>	LB Holdings Intermediate 2 Limited
<i>Registered number:</i>	05957878
<i>Registered address:</i>	7 More London Riverside, London, SE1 2RT, United Kingdom
<i>Date of the Administration appointment:</i>	14 January 2009
<i>Current Administrators' names and addresses:</i>	DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
<i>Appointer's name and address:</i>	The Directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LBHI2's creditors as a whole than would be likely if LBHI2 were wound up (without first being in Administration)
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) of schedule B1 to the Insolvency Act 1986, during the period for which the Administration is in force, any act required or 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 persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The High Court of Justice has granted five successive extensions to the Administration period to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; and 30 November 2020.

Section 4 Financial information

Receipts and payments account

An account of the receipts and payments in the Administration, showing movements for the reporting period, together with a cumulative total since the Administration began, can be found in Section 5.

Creditors will recall that LBHI2 makes a contribution towards the expenses of the Joint Venture, including costs of the Waterfall appeals and other associated litigation. Legal costs are regularly incurred and analysed to distinguish between those relating to the Waterfall litigation and those exclusive to the Administration. It has been agreed under the Joint Venture that LBHI2 should be reimbursed for all legal costs in respect of the Waterfall litigation from 30 September 2013 onwards. To date, LBHI2 has been reimbursed a total of £4.6m in relation to such costs.

All receipts in USD have or are in the process of being converted to GBP to minimise any foreign exchange loss risk.

Administrators' remuneration

In March 2009, approval was obtained from LBHI2'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 Section 7:

(i) an analysis of the Administrators' time costs for the period 1 December 2017 to 31 May 2018, along with cumulative time costs from the date of the Administrators' appointment; and

(ii) a summary of the Administrators' time costs for the period 1 December 2017 to 31 May 2018 including the key categories of work undertaken, a description of why the work was necessary and whether or not the work was of financial benefit to the creditors or if it was required by statute.

The time costs for this period total £1.3m, comprising 1,980 hours at an average hourly rate of £673.

Remuneration of £1.6m plus VAT was drawn in the reporting period in respect of time costs incurred between 1 October 2017 and 31 May 2018.

As detailed in earlier reports, the Administrators acknowledge that the provisions of the revised Statement of Insolvency Practice 9 ("SIP9") require insolvency practitioners to provide the Company's creditors with estimates of time costs and administration expenses to closure. However, given the uncertainty surrounding the eventual resolution and outcome of the Court proceedings in relation to the ranking of the subordinated claims, the Administrators consider it impractical to provide a meaningful estimate of their future costs.

However, an estimate of statutory and administrative costs for the six months from 1 June 2018 is provided in Section 8.

Administrators' expenses

As required by the Insolvency (England and Wales) Rules 2016 ("IR 16"), set out in Section 6 is a statement of expenses incurred by the Administrators since their appointment, together with an estimate of future expenses, so far as is practicable in the current circumstances.

Disbursements

The Administrators are not required to seek creditor approval to draw expenses or disbursements unless they are for shared or allocated services provided by their 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 the Administrators' fees.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs and insolvency office holders' insurance.

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

In the six months to 31 May 2018, the Administrators incurred Category 1 disbursements of £30.5k plus VAT and Category 2 disbursements of £1.3k plus VAT; none of which have been drawn.

Creditors' rights

Creditors have the right to ask for information and challenge an administrator's fees if they believe that they are too high. You can find an explanatory note online at:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/credit-ors-guides/a-creditors-guide-to-administrators-fees-010407.ashx?la=en>

Creditors can request a paper copy of the above guide free of charge by contacting Lehman.affiliates@uk.pwc.com.

Section 5 Receipts and payments account

	Notes	As at 13-Jul-18	GBP Movements in Period	As at 13-Jan-18	As at 13-Jul-18	USD Movements in Period	As at 13-Jan-18
Receipts							
Dividends received	1	257,168,042	-	257,168,042	106,560,193	1,188,129	105,372,064
Sale of subordinated debt and senior claims in LBIE		649,992,000	-	649,992,000	-	-	-
Sale of 4A claim in LBHI		-	-	-	99,272	-	99,272
Reimbursement of contribution to Joint Venture Waterfall costs	2	4,616,430	-	4,616,430	-	-	-
Reimbursement of Joint Venture travel costs		60,914	-	60,914	-	-	-
Sale of tax losses		9,032,513	-	9,032,513	-	-	-
Repayment of loan to LBHI		82,750,000	-	82,750,000	-	-	-
Recovery of investments in subsidiaries		37,777	37,777	-	-	-	-
Gross interest received		10,776,529	131,058	10,645,471	2,666	837	1,829
Total receipts	3	1,014,434,205	168,835	1,014,265,370	106,662,131	1,188,966	105,473,165
Payments							
Net Tax function costs		100,907	-	100,907	-	-	-
Legal fees and disbursements		10,205,744	1,186,257	9,019,487	-	-	-
Legal fees and disbursements relating to Waterfall applications		5,869,300	36,500	5,832,800	-	-	-
Recharge of pension related legal costs to LB UK Financing Ltd		56,485	-	56,485	-	-	-
Loans and advances to Joint Venture	2	9,669,847	836,514	8,833,333	-	-	-
Loan to LBHI		82,600,000	-	82,600,000	-	-	-
Investments in subsidiaries		120,000	-	120,000	-	-	-
Gross wages and salaries		58,962	30,000	28,962	-	-	-
Statutory costs		9,442	-	9,442	-	-	-
IT Costs		5,741	-	5,741	-	-	-
Serviced Office costs		85	-	85	-	-	-
Bank charges		-	-	-	937	85	852
Joint Administrators' remuneration		10,470,326	1,623,368	8,846,958	-	-	-
Joint Administrators' category 1 disbursements		89,330	-	89,330	-	-	-
Irrecoverable VAT	4	5,243,510	569,194	4,674,316	-	-	-
Total payments		124,499,679	4,281,833	120,217,846	937	85	852
Intracompany transfers							
Receipts		69,752,816	913,463	68,839,353	-	-	-
Payments		-	-	-	106,659,357	1,287,316	105,372,041
Total receipts less total payments		959,687,342	(3,199,535)	962,886,877	1,837	(98,435)	100,272
Distributions							
1st interim distribution to unsecured creditors - 100p in the £ paid 6 Sep 2017	5	698,529,813	-	698,529,813	-	-	-
1st interim distribution to unsecured creditors - share of statutory interest paid 6 Sep 2017	5	206,696,224	-	206,696,224	-	-	-
Total distributions		905,226,037	-	905,226,037	-	-	-
Total cash receipts less total payments less distributions		54,461,305	(3,199,535)	57,660,840	1,837	(98,435)	100,272
Cash balances							
HSBC	6	3,617,350	2,584,827	1,032,523	1,837	(98,435)	100,272
Money markets	7	50,843,955	(5,784,362)	56,628,317	-	-	-
Total cash	8	54,461,305	(3,199,535)	57,660,840	1,837	(98,435)	100,272

Notes:

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

(2) In the interests of maximising recoveries from the Joint Venture, LBHI2 makes a contribution towards its running costs and is reimbursed for Waterfall costs borne on behalf of the other Joint Venture partners.

(3) 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.

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

(5) First interim distribution of 100p in the £ plus a share of statutory interest paid to the Company's unsecured, unsubordinated creditors. Gross distribution of £940,968,042 was declared with the net amount of £905,226,037 being distributed, after holding back funds to deal with the prospective UK withholding tax liability that may arise.

(6) The Company's GBP and USD accounts are both interest bearing.

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

(8) Total cash at 13 July 2018 based on exchange rates at 13 July 2018 was £54,462,697

Section 6 Statement of Expenses

The table below provides details of the Administrators' expenses. Expenses are defined as amounts payable by the Administrators from the estate; they include the Administrators' fees but exclude distributions to creditors and the Joint Venture loans. The table also excludes any potential tax liabilities other than VAT, that may be payable as an Administration expense. Tax amounts becoming due will depend on the position at the end of the accounting period and the impact of any tax reform.

The table should be read in conjunction with the receipts and payments account in Section 5, which shows expenses actually paid during the period and the total paid to date.

Whilst we have been able to estimate the Administrators' remuneration for the six months from 1 June 2018, the level of subsequent future costs is materially uncertain given the Court's involvement in relation to the ranking of the subordinated claims and other matters outlined in Section 2. In light of this, meaningful estimates cannot be provided.

	Brought forward from preceding period £k	Paid in the period £k	Cumulative £k	Incurred and not paid £k	Estimated future £k	Anticipated total £k
Legal fees and disbursements	14,853	1,223	16,076	271	Materially Uncertain	Materially Uncertain
Pension related legal costs	56	-	56	-	-	56
Employee wages and associated costs	35	30	65	-	Uncertain	Uncertain
Administrators' remuneration and disbursements*	8,958	1,623	10,581	273	Materially Uncertain	Materially Uncertain
Statutory costs	9	-	9	-	Uncertain	Uncertain
Irrecoverable VAT	4,674	569	5,243	109	Materially Uncertain	Materially Uncertain
Total	28,585	3,445	32,030	653	Materially Uncertain	Materially Uncertain

Section 7 Joint Administrators' time costs for the period 1 December to 31 May 2018

Notes:

- (1) The cumulative total refers to the time costs incurred to 31 May 2018, of which £10,470k has been drawn to date.
- (2) Time costs are net of VAT.

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	27.25	13,187	89.90	31,197	23.40	5,733	140.55	50,117
Strategy and Planning	798.30	684,966	636.55	347,591	7.65	2,360	6.20	1,519	1,448.70	1,036,436
Creditors	-	-	19.15	9,191	5.30	2,046	0.20	49	24.65	11,286
Statutory and Other Compliance	3.30	2,936	36.40	17,771	19.65	6,748	7.00	1,715	66.35	29,170
Tax and VAT	61.85	65,534	125.20	100,851	82.75	32,538	30.30	6,749	300.10	205,672
Total for the period 1 December to 31 May 2018	863.45	753,436	844.55	488,592	205.25	74,888	67.10	15,765	1,980.35	1,332,681
Average hourly rate for the six month period to 31 May 2018										673
Cumulative total to 31 May 2018										10,492,270

Charge out rates	Business Recovery Services	Specialist
	Max £/hr	Max £/hr
Grade	From 1 July 2017	From 1 July 2017
Partner	935	1,312
Director	820	1,152
Senior Manager	548	969
Manager	462	707
Senior Associate	386	525
Associate/Support Staff	245	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 PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a 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 PricewaterhouseCoopers LLP's office holders, this approach is also used for LBH12.

Narrative of the Joint Administrators' time costs for the period 1 December to 31 May 2018

Accounting and Treasury - £50,117

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:

- 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;
- Executing foreign exchange transactions;
- Liaising with the case management team to check liquidity requirements;
- Monthly reporting of outstanding deposits and month end bank balances; and
- Quarterly reporting of performance and activity commentary.

Strategy and Planning - £1,036,436

In light of the inherent complexities of the LBHI2 estate, the Administrators and their staff continue to invest a substantial 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 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 explore strategies leading to conclusion of the Administration.

Activities include:

Wentworth Joint Venture

- Ongoing project management for calculation and distribution of first interim dividend including development of "dry run" models;
- Regular meetings and correspondence with tax and legal advisors and the Joint Venture partners, in respect of the Joint Venture;
- Preparation for and attendance at board meetings in the Cayman Islands and in New York to represent LBHI2 as corporate director of a number of companies in the Joint Venture;
- Dealing with administrative issues relating to the Joint Venture structure;
- Further update meetings with LBIE and discussing strategy with the Joint Venture partners;
- Continued development of financial models to estimate possible outcomes to assist with strategy;
- Planning for second "washing-machine" distribution to LBHI2's creditors;
- Setting, reviewing and discussing strategy for the Joint Venture with the Joint Venture Partners and LBHI, including entry into the agreements to support the LBIE Proposal – "Lock Up Agreement" and Settlement with LBIE';
- Reviewing financial information from the Joint Venture;
- Preparation for and release of loans to Joint Venture;
- Liaison with the nominated director for the Luxembourg Special Purpose Vehicles and their appointed counsel;
- Ongoing negotiation around amendment of the Joint Venture Limited Partnership Agreement;
- Winding down affairs of LBHI2 Financing Ltd - a subsidiary of LBHI2 established to facilitate the loan of £82.6m to LBHI in 2016 and subsequent repayment thereof;
- Administration of Large Partner Loans to Joint Venture;
- Liaising with Tax specialists in respect of and

-
- Negotiation of settlement in respect of the Barclays claim.

LBIE Scheme

- Assisting LBIE in the development of the Scheme;
- Interest voting on the Scheme;
- Dealing with compliance issues;
- Preparation for and attendance at Convening Hearing;
- Preparation for and attendance at Sanction Hearing:
 - Negotiation of Shareholder Undertaking (and liaison with Counsel);
 - Lawyers and Counsel;
 - Disclosure of SCG Settlement; and
 - Wentworth – including subordination/ adjudication.

Subordinated debt proceedings

- Development of strategy for priority debt application;
- Liaising with Lawyers and Counsel;
- Engagement with other interested parties e.g. LBH and LBL;
- Input into drafting of application and witness statements; and
- Modelling of potential outcome scenarios.

Creditors - £11,286

The following tasks were undertaken in accordance with the Administrators' statutory duties and to distribute the Company's assets to its creditors.

Activities include:

- Reviewing and analysing subordinated creditor claims and collating further supporting information, where applicable.

Statutory and Other Compliance - £29,170

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

- Preparing the Administrators' 18th progress report;
- Preparing and reviewing receipts and payments account for reports to creditors;
- Preparing and reviewing detailed remuneration summaries;
- Generating monthly time cost information in support of the Administrators' remuneration;
- Circulating the progress report to creditors;
- Statutory filings at Companies House and the Court;
- Carrying out the Administrators' internal six monthly reviews in accordance with professional requirements; and
- Maintaining and managing case files, database and website.

Tax and VAT - £205,672

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

- Preparing corporation tax computation for the year ended 13 January 2018;
- Ongoing consideration of withholding tax in relation to distributions;
- Dealing with Competent Authority request;
- Dealing with tax and VAT queries;
- Strategy planning for anticipated realisations from the Joint Venture; and
- Preparing VAT returns as required by HMRC despite the Company's VAT status.

Section 8 Estimated future costs and other matters

The Administrators continue to actively progress all matters pertaining to the estate.

The Administrators are unable to provide a meaningful estimate of their future time costs beyond their statutory and administrative costs for the six months from 1 June 2018, this is estimated as follows:

	£k
Accounting and Treasury	80
Strategy and Planning	870
Creditors	240
Statutory and Other Compliance	60
Tax and VAT	<u>250</u>
Total	<u>1,500</u>

During those six months the Administrators will continue to work towards the best possible outcome for creditors and 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 LBHI2 by employees retained by LBIE and LB SF Warehouse Limited. Included in these services are the provision of certain tax and VAT services, claims review services and key staff resource. The benefit to the Company's creditors is through cost savings. This is because the Administrators consider it more efficient that this work is carried out by subcontractors and by the centralisation of services. The costs of such services are recharged to LBHI2 on a time costs basis and are invoiced directly to the estate.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Tax Services	LBIE	Prior/Industry knowledge	Time costs
Claims Review	LB SF Warehouse Limited	Prior/Industry knowledge	Time costs

Legal firms

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

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	Linklaters LLP	Industry knowledge	Time costs
Legal services	Dentons UKMEA LLP	Industry knowledge	Time costs

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 are appropriate.