



**LB RE Financing No.3 Limited
– in Creditors' Voluntary Liquidation**

**Joint Liquidators' tenth progress report to
members and creditors, for the year ended 22
July 2022**

7 September 2022

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Reliance on data:

We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment.

LB RE Financing No. 3 Limited, the Liquidators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon this report.

1. The Joint Liquidators' report to members and creditors for the year ended 22 July 2022

Introduction

This is the tenth annual progress report prepared by the Joint Liquidators ("Liquidators") of LB RE Financing No. 3 Limited ("LBREF3" or the "Company").

This report provides an update on the work that the Liquidators have undertaken, and the progress made since their appointment, with particular focus on the progress made in the year ended 22 July 2022 (the "Reporting Period").

Appointment of Liquidators

On 23 July 2012, LBREF3 moved into Creditors' Voluntary Liquidation following the conclusion of the Administration on the same day. DA Howell, MJA Jervis and AV Lomas were appointed Joint Liquidators.

Upon an application to the High Court of Justice ("the Court"), an order was made on 22 March 2013 that GE Bruce and JG Parr be appointed liquidators and that DA Howell and MJA Jervis cease to be liquidators of the Company.

Upon further application to the Court, an order was made on 2 July 2018 that JG Parr and AV Lomas cease to be liquidators and E Macnamara be appointed as Joint Liquidator of the Company from 16 July 2018.

Asset realisations

In our previous reports we explained that the Company's intercompany claims against Storm Funding Limited have been distributed in specie to the Company's creditors, and that its claim against Lehman Brothers International (Europe) has been settled in full, including full entitlement to post-insolvency, statutory interest. There will be no further recoveries from either of these sources.

Other than cash, the Company's only remaining asset is carried-forward, non-trading deficit tax losses. The Liquidators have been keeping the liquidation open whilst there has been potential for these tax losses to realise value at some point in the future, should other companies within the Lehman Brothers Group incur tax liabilities which can be mitigated by these losses. Following an analysis of the tax losses held by other entities across the Lehman Brothers Group it has been concluded that certain other entities hold tax losses considered to be more valuable, such that those tax losses which are held in the Company are no longer required. For this reason, the liquidators have concluded that there is no longer an ongoing need for the Company's liquidation to be kept open and steps are now being taken to bring the liquidation to a close.

Outcome for creditors

All known, unsecured creditor claims have been adjudicated, with claims totalling £1.03bn admitted to rank for dividend purposes. There are no secured or preferential creditors.

Total cash distributions of c.£64.87m have been distributed to unsecured creditors. It is currently anticipated that there will be a final distribution of c.£0.9m, subject to tax clearance from HM Revenue and Customs ("HMRC").

Investigations

Nothing has come to the Liquidators' attention during the Reporting Period to suggest that they need to do any more work in line with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2

1. The Joint Liquidators' report to members and creditors for the year ended 22 July 2022

Tax

During the Reporting Period, the tax computation and return for the year ended 22 July 2021 was submitted to HMRC.

Receipts and payments account

An account of the receipts and payments in the Liquidation showing movements for the last 12 months to 22 July 2022, together with cumulative transactions since commencement of the Liquidation, is set out in Section 2.

Liquidators' expenses

Statement of Insolvency Practice 9 ("SIP9") was revised with effect from 1 December 2015 and applies to all open insolvency cases.

In accordance with SIP9, there is a statement of the expenses that the Liquidators have incurred during the Reporting Period, together with an estimate of future expenses, in Section 3.

Liquidators' remuneration

In February 2015, the Liquidators requested and received approval from LBREF3's creditors for the Liquidators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The Liquidators were also authorised to draw their remuneration to 30 November 2014 and to draw subsequent remuneration on account of their costs from time to time.

In accordance with SIP9, the following information is provided in Section 4 of this report:

- (i) An analysis of the Liquidators' time costs for the period 1 July 2021 to 30 June 2022, including the cumulative total time costs from the date of the Liquidators' appointment to 30 June 2022; and
- (ii) A summary of the Liquidators' time costs for the Reporting Period, including the key categories of work undertaken, details of the 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 undertaken because it was required by statute.

In accordance with the resolutions passed by LBREF3's creditors, the Liquidators have drawn remuneration totalling £1,449k plus VAT in respect of time costs incurred to 30 April 2022.

Time costs for the Reporting Period total £65k plus VAT, which represents 118 hours at an average hourly rate of £550. Details of time costs previously incurred have been provided in earlier reports.

An estimate of the Liquidators' future time costs is set out in Section 5 of this report.

Liquidators' disbursements

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance. The Liquidators are not required to seek approval to draw Category 1 disbursements.

Category 2 disbursements are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities. 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 Liquidators' fees. The Liquidators'

1. The Joint Liquidators' report to members and creditors for the year ended 22 July 2022

disbursements policy allows for all properly incurred disbursements to be recharged to the Liquidation.

In the Reporting Period, Category 1 and 2 disbursements of £27 and £2 respectively were incurred.

Creditors' rights

Creditors have the right to ask for information and challenge a liquidator'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-guides/creditors-guide-liquidators-fees-final.ashx?la=en>

Creditors can request a paper copy of the above guide free of charge by emailing uk_lehmanaffiliats@pwc.com

Future reports

The Liquidators will circulate their next report in approximately 12 months' time or at the end of the Liquidation, whichever is sooner.

Signed



GE Bruce
Joint Liquidator

GE Bruce and EJ Macnamara have been appointed as Joint Liquidators of LB RE Financing No.3 Limited. The Joint Liquidators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Liquidators 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 Liquidators 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 Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Liquidators.

2. Receipts and payments account for the year ended 22 July 2022

	22 July 2022 (£)	Movements in Period (£)	22 July 2021 (£)
Receipts (Notes 1 and 2)			
Release of funds from the Administrators	54,918	-	54,918
Interest	13,639	28	13,611
Dividends from Storm Funding Limited	63,975,310	-	63,975,310
Dividends from Lehman Brothers International (Europe)	2,480,824	-	2,480,824
Sale of tax losses	1,785,612	-	1,785,612
Funds from Lehman Brothers UK Holdings Limited	2,022	-	2,022
Total receipts	68,312,325	28	68,312,297
Payments			
Legal fees	187,497	-	187,497
Employee wages and associated costs	346,799	-	346,799
IT costs	5,741	-	5,741
Statutory costs	36,327	-	36,327
Bank charges	25	-	25
Former Joint Administrators' final remuneration	19,761	-	19,761
Joint Liquidators' remuneration (Note 3)	1,448,930	62,663	1,386,267
Joint Liquidators' category 1 disbursements	1,121	-	1,121
Joint Liquidators' category 2 disbursements	20,000	-	20,000
Corporation tax	143,557	-	143,557
Insurance	85	-	85
Irrecoverable VAT (Note 4)	341,804	12,533	329,271
Total payments	2,551,647	75,196	2,476,450
Total receipts less total payments	65,760,678	(75,168)	65,835,846
Distributions			
First distribution to unsecured creditors of 5.425p in the £, declared 7 September 2016	56,114,662	-	56,114,662
Cash distribution made to minority creditor on 14 November 2016 (Note 5)	20,000	-	20,000
Second distribution to unsecured creditors of 0.738p in the £, declared 16 March 2017	7,627,629	-	7,627,629
Third distribution to unsecured creditors of 0.1067p in the £, declared 12 September 2018	1,103,299	-	1,103,299
Fourth distribution to unsecured creditors (in specie) of 0.0743p in the £, declared 3 May 2019	-	-	-
Total distributions	64,865,590	-	64,865,590
Total	895,088	(75,168)	970,256
Cash balances			
HSEC current account	895,088	(75,168)	970,256
Total cash	895,088	(75,168)	970,256

Notes:

- 1) Statement of Affairs figures have not been provided as the Liquidation follows an administration.
- 2) All of the Company's assets are uncharged, there being no secured creditors.
- 3) Joint Liquidators' remuneration paid in the reporting period covers the period from 1 June 2021 to 30 April 2022.
- 4) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- 5) A cash distribution of £20,000 was made in November 2016 to LBREF3's minority creditor in lieu of their share of any future distributions made.

3. Joint Liquidators' expenses

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

The table should be read in conjunction with the receipts and payments account in Section 2 of this report, which shows expenses actually paid during the period and the total paid to date. In estimating future expenses, assumptions have been made relevant to the annual run rate where appropriate.

	Incurring in Reporting Period	Estimated future	Anticipated total
	£k	£k	£k
Legal fees and disbursements	-	-	187
Employee wages and associated costs	-	4	351
Former Joint Administrators' final remuneration	-	-	20
Liquidators' remuneration	65	55	1,512
Liquidators' disbursements	-	-	21
Other costs	-	-	42
Irrecoverable VAT	13	11	353
Total	78	70	2,486

Sums have been rounded to the nearest £1k.

4. Joint Liquidators' time costs for the period 1 July 2021 to 30 June 2022

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	-	-	6.70	4,068	6.50	2,895	5.60	1,568	18.80	8,531
Strategy and planning	3.55	3,089	1.00	625	0.65	293	-	-	5.20	4,006
Creditors and distributions	-	-	-	-	0.05	23	-	-	0.05	23
Statutory and other compliance	4.20	3,815	22.90	14,313	39.20	17,640	-	-	66.30	35,768
Tax and VAT	2.95	3,854	7.15	5,315	10.80	5,539	7.00	1,995	27.90	16,703
Grand total for the period 1 July 2021 to 30 June 2022	10.70	10,758	37.75	24,320	57.20	26,389	12.60	3,563	118.25	65,030
Average hourly rate for the 12 month period to 30 June 2022										550
Cumulative total to 30 June 2022										1,457,622

Notes:

- (1) The cumulative total refers to the time costs incurred to 30 June 2022, of which £1,448,931 plus VAT has been paid to date and includes an adjustment following an internal reconciliation.
- (2) Time costs are net of VAT.
- (3) The maximum specialist partner rate is used by exception and only where specific circumstances require that level of specialism.

Cumulative total to 30 June 2022, by classification of work	
	£
Accounting and Treasury	132,990
Strategy, Planning and Asset Realisations	634,614
Statutory and Other Compliance	366,276
Creditors	103,958
Tax and VAT	219,787
Total	1,457,622

4. Joint Liquidators' time costs for the period 1 July 2021 to 30 June 2022

Accounting and treasury - £8,531

An essential function for the management of funds held by the Liquidators on behalf of the Company, the Liquidators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments (where applicable) for the benefit of the Company's creditors.

Activities include:

- Monitoring the flow of funds into the bank account;
- Processing receipts and payments including review and approval thereof and coding of movements; and
- Reconciling bank accounts for the purposes of statutory reporting.

Strategy and planning - £4,006

The Liquidators and their staff have invested a proportion of their time in the planning and delivery of their strategy for the progression of the Liquidation.

Activities include:

- Reviewing, implementing and updating the Liquidation strategy;
- Reviewing and maintaining financial information; and
- Regular team meetings to update on case progression, including liquidation closure planning.

Statutory and other compliance - £35,768

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

- Preparing and circulating the Liquidators' ninth progress report to creditors and Companies House;
- Preparing the Liquidators' internal six-monthly reviews in accordance with professional requirements;
- Managing and updating communications on the Company's website;
- Maintaining and managing case files, records and the Company's database; and
- Dealing with other ad-hoc compliance and statutory tasks.

Tax and VAT - £16,703

The following tasks were undertaken in accordance with the Liquidators' statutory obligations or internal compliance. In addition, certain tasks were undertaken for the benefit of creditors.

Activities include:

- Reviewing the tax grouping provisions;
- Analysing and evaluating the value that the Company can obtain from its carry forward losses;
- Completing and submitting to HMRC the tax computation and return for the year ending 22 July 2021;
- Quarterly update meetings;
- Performing routine administrative tasks;
- Dealing with internal compliance matters; and
- Preparing narrative for the Liquidators' ninth report.

5. Joint Liquidators' estimate of future time costs

The Liquidators estimate that their future time costs and disbursements to complete the Liquidation will be approximately £55k, analysed as follows:

	£'000
Accounting and Treasury	5
Strategy and Planning	10
Creditors and distributions	5
Statutory and Compliance/Tax and VAT	35
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The above figures assume that:

- There will be a further cash distribution to unsecured creditors; and
- The liquidation will end during the next 12 months.

Relationships

The Liquidators have no business or personal relationships with the parties who approve their fees or who provide services to the Liquidation where the relationship could give rise to a conflict of interest.

Details of subcontracted work

Certain centralised services are undertaken on behalf of the Company by employees retained by LBIE and LB SF Warehouse Limited. This includes the provision of certain tax and VAT services and key staff resource. The costs of such services are recharged to the Company on a time-costs basis and are invoiced directly to the estate. The services undertaken by LB SF Warehouse Limited are to provide specialist input regarding various matters relating to the Company.