



For further information, please
refer to our guidance at
www.gov.uk/companieshouse

1 Company details

Company number 0 1 8 5 4 6 8 5

Company name in full Lehman Brothers Holdings plc

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Edward John

Surname Macnamara

3 Administrator's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

4 Administrator's name ①

Full forename(s) Gillian Eleanor

Surname Bruce

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

② Other administrator

Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6

Period of progress report

From date

^d 1

^d 5

^m 0

^m 3

^y 2

^y 0

^y 2

^y 2

To date

^d 1

^d 4

^m 0

^m 9

^y 2

^y 0

^y 2

^y 2

7

Progress report

☒ I attach a copy of the progress report

8

Sign and date

Administrator's
signature

Signature

X

[Handwritten signature]

X

Signature date

^d 1

^d 3

^m 1

^m 0

^y 2

^y 0

^y 2

^y 2

**Presenter information**

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

Contact name **Diane Adebowale**

Company name **C/o PricewaterhouseCoopers LLP**

Address **7 More London Riverside**

Post town **London**

County/Region

Postcode **S E 1 2 R T**

Country **United Kingdom**

DX

Telephone **+ 44 (0) 7583 5000**

**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.

**Important information**

All information on this form will appear on the public record.

**Where to send**

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

**Further information**

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. ❶
Attach this to the relevant form.
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

❶ You can use this continuation page with the following forms:
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)

David James

Surname

Kelly

3 Insolvency practitioner's address

Building name/number

PricewaterhouseCoopers LLP

Street

7 More London Riverside

Post town

London

County/Region

Postcode

S E 1 2 R T

Country

United Kingdom

Lehman Brothers Holdings plc (in administration)

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

**High Court of Justice, Chancery Division,
Companies Court
Case no. 7943 of 2008**

13 October 2022

Table of contents

Abbreviations and definitions	3
Section 1: Purpose of the Administrators' Progress Report	5
Section 2: Administrators' actions to date	7
2.1 Key value drivers	8
2.2 Creditor claims and dividend prospects	9
2.3 Tax planning and compliance	10
Section 3: Statutory and other information	11
Section 4: Administrators' remuneration and other matters	12
Section 5: Analysis of Joint Administrators' time costs	14
Section 6: Our future work	17
Section 7: Legal and other professionals	18
Section 8: Receipts & payments to 14 September 2022	19
Section 9: Statement of expenses	21
Section 10: Estimate of future time costs	22

Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report.

Abbreviation or definition	Meaning
Company / LBH	Lehman Brothers Holdings plc - in administration
2011 Settlement Agreement	The settlement agreement with LBHI and other affiliate companies in US Chapter 11 proceedings, which came into effect when the LBHI Plan of Reorganisation became effective on 6 March 2012
Administrators	Edward John Macnamara, Gillian Eleanor Bruce and David James Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
Committee	The Creditors' Committee of the Company
Firm	PricewaterhouseCoopers LLP
HMRC	HM Revenue and Customs
IR16	Insolvency (England and Wales) Rules 2016
IA86	Insolvency Act 1986
LBGP	LB GP No.1 Limited - in liquidation
LBHI	Lehman Brothers Holdings Inc.
LBHI2	LB Holdings Intermediate 2 Limited - in administration
LBIE	Lehman Brothers International (Europe) - in administration
LBL	Lehman Brothers Limited - in administration
LBSAL	Lehman Brothers Securities Asia Limited - in liquidation
MBAM	MBAM Investor Limited
PAMI	PAMI Holdings LLC
Reporting Period	The period from 15 March 2022 to 14 September 2022
SIP9	Statement of Insolvency Practice No. 9
SLP3	Lehman Brothers Holdings Scottish LP3
Statutory Interest	Interest calculated on the amount of admitted claims in respect of the periods during which such claims were outstanding since the date of commencement of the administration to the date of full repayment, calculated as the greater of the rate payable in accordance with s.17 of the Judgments Act 1838 (currently 8% simple), and the rate applicable to the debt apart from the administration

This report has been prepared by EJ Macnamara, GE Bruce and DJ Kelly as 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 based on a range of assumptions and estimates. It 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 Administrators' previous reports issued to the Company's creditors, which can be found at: <https://www.pwc.co.uk/services/businessrecovery/administrations/non-lbiecompanies/lbh-plc-in-administration.html>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

EJ Macnamara, GE Bruce and DJ Kelly have been appointed as Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Administrators are bound by the Insolvency Code of Ethics which can be found at: [Insolvency practitioner code of ethics](#)

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

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Section 1: Purpose of the Administrators' Progress Report

Introduction

This is the 28th progress report prepared by the Administrators of the Company, in accordance with Rule 18.3 of IR16.

It provides an update of the work the Administrators have undertaken with particular focus on progress made in the Reporting Period. The statutory receipts and payments account for the Reporting Period is included in Section 8.

We have sought to not duplicate information disclosed to creditors in prior reports and updates, copies of which can be found at:

<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbh-plc-in-administration.html>

Creditors may also find it helpful to review the documents filed by LBIE, LBL and LBHI2. These may be found respectively at:

- <https://www.pwc.co.uk/services/business-restructuring/administrations/lehman.html>
- <https://www.pwc.co.uk/services/business-recovery/administrations/non-lbie-companies/lbl-limited-in-administration.html>; and
- <https://www.pwc.co.uk/services/business-recovery/administrations/non-lbie-companies/lbhi2-limited-in-administration.html>.

Objectives of the Administration

The Administrators continue to pursue the statutory objective of achieving a better result for the Company's creditors as a whole than would be likely if LBH were wound up (without first being in administration).

Outcome for unsecured creditors

As at 14 September 2022, the Administrators had paid:

- five dividends totalling 100p in the £ on admitted ordinary unsecured claims; and
- three distributions to unsecured creditors totalling approximately 44.6% of creditors' respective entitlements to Statutory Interest.

As a result, unsecured creditors have been paid £354.1m of their entitlements to post-administration Statutory Interest. Further Statutory Interest totalling £439.8m will need to be paid before any distributions to subordinated creditors may commence.

At present the quantum and timing of any further distributions to these creditors remains to be determined for reasons discussed in Section 2 below.

Outcome for subordinated creditors

The Administrators have received claims in respect of three types of subordinated debt: from LBHI, LBGP, and from individual investors in partnerships managed by LBGP (the "Partnerships") under guarantees.

The claim from LBHI totals c.£1,059m and that from LBGP totals c.£168m (after discounting, in line with the first instance judgment in the Priority Application (defined below), and which was subsequently upheld in the Court of Appeal). No payments towards subordinated debt have been made to date.

The court has now determined the outcome of the subordinated debt litigation ("Priority Application") being pursued by LBH in the LBHI2 estate, such that the claim of LBH ranks before that of SLP3. In addition, the court has determined the outcome of the Priority Application as regards the ranking of the claims of LBGP and LBHI in the LBH estate, such that the claim of LBGP ranks before that of LBHI. There is further commentary on the outcome of the Priority Application below. It has been acknowledged and confirmed that any subordinated debt due to investors in the Partnerships under any guarantees ranks for payment below that due to LBHI and LBGP.

LBH's ability to make further payments of Statutory Interest and payments to subordinated creditors, and the timing of such payments, continues to be dependent on a number of material factors, the key ones being:

- the quantum of further payments to LBHI2 from LBIE, and the proportion of such payments retained by LBHI2 under the Wentworth Joint Venture ("WW") sharing agreement;
- dealing with a complaint received from one of the Company's creditors (as summarised below); and
- the duration, future costs and priority expenses of the LBH, LBIE, LBHI2 and LBL administrations.

Further comment on these issues is provided below and in Section 2.

Creditor complaint

In April 2022, the administrators received a complaint from one of the Company's creditors in respect of various distributions arising in connection with the 2011 Settlement Agreement. The administrators are investigating the issues raised and the steps the Company might take as a consequence.

Creditors' Committee

The Administrators regularly meet with the Committee to explain how key aspects of the Administration are being dealt with and to consult with the Committee on critical issues.

To date, the Administrators have held ten meetings with the Committee, the most recent of which was on 31 March 2022.

Since the Administrators' previous progress report the constitution of the Committee has changed, as follows:

- LBIE and LBSAL have each resigned their membership of the Committee;
- The remaining members of the Committee have approved that two of the Company's creditors, MBAM and PAMI, become additional members of the Committee; and
- MBAM and PAMI have since consented to act and have been appointed as Committee members.

The Committee now comprises: LBL, MBAM, PAMI, LBGP and LBHI.

The Administrators would like to record their thanks to LBIE and LBSAL for their service and support to the administration of the Company.

Why we remain in office

The Administrators remain in office to deal with various matters, including: collecting outstanding debts (notably subordinated debt recoveries from LBHI2); making further Statutory Interest payments to unsubordinated creditors; and making payment to the Company's subordinated creditors, if and when the Company has sufficient funds with which to do so; compliance with tax and VAT matters; compliance with statutory tasks; and concluding the Administration. Further details are contained within the body of this report.

Extension to the administration

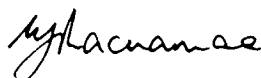
The Administrators' term of office is due to expire on 30 November 2022. The Administrators are preparing an application to Court to request a further extension of three years in order to continue to pursue the objective of the Administration and the matters noted in the above paragraph.

Next steps and future reports

The Administrators' next formal progress report to creditors will be in six months' time.

Should there be material developments in the interim, the Administrators will provide updates through the LBH website (or by other means as appropriate).

Signed



EJ Macnamara
Joint Administrator
Lehman Brothers Holdings Plc

Section 2: Administrators' actions to date

Creditors will be aware that before the Administration, LBH was a holding company in the Lehman group and played an important role in funding the UK sub-group of companies.

Throughout the Administration, the Administrators have utilised specialist teams from their Firm, who have worked to ensure the objectives of the Administration are met.

Key progress from 15 March 2022 to 14 September 2022 includes:

- Priority Application resolved - LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3.
- Payment of £3.1m towards Statutory Interest entitlements of unsubordinated creditors.
- Recovery from sale of tax losses to other Lehman entities.

Receipts and payments account

The receipts and payments account for the six months to 14 September 2022, together with a cumulative total since the beginning of the Administration, is included in Section 8.

The receipts and payments account shows cash held decreasing from c.£63.4m to c.£53.3m in the period. Key movements include:

- Receipts of c.£0.5m including amounts received from the sale of tax losses to a number of other Lehman estates;
- Payment of Statutory Interest of c.£3.1m;
- Payment of c.£5.0m in connection with a contractual obligation shared with, and paid by, other UK Lehman estates;
- Payment of Administrators' fees of c.£1.6m, having previously been approved by the Committee;
- Payment of legal and professional fees of c.£0.5m; and
- Net payment of VAT of c.£0.3m, of which c.£0.2m is irrecoverable.

The receipts and payments account does not show "estimated to realise" values from the directors' statement of affairs as this would not provide a meaningful comparison with actual asset recoveries.

Statement of expenses

A statement of expenses incurred in the Reporting Period and an estimate of future expenses is set out at Section 9.

Investigations and actions

No matters have come to the Administrators' attention during the period under review to suggest that they need to do any further work pursuant to their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No. 2.

2.1 Key value drivers

Overview

The nature of the Company's assets and ongoing realisations mean that any estimate of the final outcome for the remaining creditors is greatly uncertain.

The main matters which will affect the ultimate outcome for creditors include:

Recoveries from LBHI2

The outcome for LBH's creditors is highly dependent on recoveries from LBHI2, which in turn is dependent on the final outcome in the LBIE estate (after taking account of LBHI2's sharing arrangements with WW).

There remains great uncertainty as to the final outcome of the LBIE estate. To date, LBHI2 has received from LBIE equity distributions totalling £337.0m, of which it has retained £168.5m under the WW sharing arrangements.

The Priority Application has now been finally determined with LBH being LBHI2's priority, subordinated creditor. This is in priority to SLP3, the other subordinated creditor of LBHI2.

Following the Supreme Court decision, the Administrators have formally lodged a subordinated claim of £1,852.8m against LBHI2, which comprises a total claim US\$3,186.0m less £337.0m which has been paid by LBHI2 to date.

Lehman Brothers Limited

The Company has an entitlement to post-administration statutory interest on a claim against LBL that was assigned to the Company in 2019 by Lehman Brothers Europe Limited (now dissolved), the principal element of the claim having previously been paid in full.

In total, approximately 77.6% of the post-administration statutory interest entitlement in relation to this claim has been paid to date.

The Priority Application

In our previous progress reports we explained the background to the Priority Application and that in July 2020 the High Court found that, among other things, LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3. We also explained that following subsequent orders by the High Court and the Court of Appeal, SLP3 was granted permission to appeal certain of the High Court's findings.

In October 2021, the Court of Appeal handed down its Judgment ("the Court of Appeal Judgment"), upholding the decision that LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3.

SLP3 subsequently applied to the Supreme Court for permission to appeal the Court of Appeal Judgment. On 8 August 2022 the Supreme Court ordered that SLP3's application for permission to appeal the Court of Appeal Judgment should be refused. It has therefore been established that LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3.

Copies of the judgments and orders of the High Court, the Court of Appeal and the Supreme Court, together with summaries of them, can be found on the Administrators' website at the address below:

<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbh-plc-in-administration.html#/lbh-plc-in-administration.html/>

2.2 Creditor claims and dividend prospects

Unsecured creditors

As creditors are aware from previous reports:

- five dividends totalling approximately £1,074.8m (100p in the £) have been paid on admitted unsecured claims.
- three interim distributions of Statutory Interest entitlements have been paid. These total £354.1m and equate to approximately 44.6% of the unsecured creditors' total post-administration Statutory Interest entitlements.

Further Statutory Interest totalling £439.8m will need to be paid before any distributions to subordinated creditors may be made. No payments towards subordinated debt have been made to date.

Subordinated creditors

In July 2020 the High Court found that, among other things, the subordinated claims of LBHI and LBGP rank *pari passu* in the Company's estate. However, the Court of Appeal Judgment handed down in October 2021 overturned the High Court decision in this respect and ruled that LBGP's subordinated debt ranks senior to that of LBHI. In November 2021, LBHI applied to the Supreme Court for permission to appeal the Court of Appeal Judgment.

On 8 August 2022 the Supreme Court ordered that LBHI's permission to appeal the Court of Appeal Judgment be refused. It has therefore been established that LBGP's subordinated debt claim against the Company ranks senior to that of LBHI.

Copies of the judgments and orders of the High Court, the Court of Appeal and the Supreme Court, together with summaries of them, can all be found on the Administrators' website at the address below:

<https://www.pwc.co.uk/services/business-restructuring/administrations/non-lbie-companies/lbh-plc-in-administration.html>.

Estimated outcome

In April 2022 the Administrators prepared an assessment of the potential economic outcomes for LBH's creditors. This is available on the Administrators' website at <https://www.pwc.co.uk/business-recovery/administrations/ehman/lbh-plc-update-april-2022.pdf>.

The final outcome for LBH is dependent on a number of matters including various of LBIE's unresolved issues which remain subject to litigation. This continues to create uncertainty as to the final outcome and indeed as to the timing of receipt of any such recoveries.

Since the April 2022 update, there have been no material changes to the level of estimated recoveries and as such the Administrators have not provided an updated estimated outcome statement at this time.

As and when the Administrators consider it appropriate, further updates will be made available through the LBH website (or by other means as appropriate).

Should creditors require a copy of the April 2022 update, please contact the Administrators using the email address provided in Section 3.

2.3 Tax planning and compliance

The normal HMRC enquiry window for the corporation tax return submitted up to the year ended 14 September 2020 has closed. The corporation tax return covering the accounting period to 14 September 2021 has been submitted to HMRC.

The Administrators have met their obligations under the Senior Accounting Officer legislation including publication of the Lehman Group tax strategy.

Progress

Specific progress in the Reporting Period includes:

Corporation Tax

- Preparation of the year ended 14 September 2021 tax return and computations, including ongoing review of tax legislative changes;
- Filing of the CIR return for the year ended 31 March 2021;
- Providing tax support regarding potential future payments;
- Preparation and submission of CT61 returns for the purposes of withholding income tax from payments of Statutory Interest and responding to queries from creditors;
- Compliance with responsibilities and obligations under Senior Accounting Officer ("SAO") legislation;
- Complied with obligations regarding the publication of the Lehman group Tax Strategy; and
- Preparation of the 2021 SAO certificate and notification, and submission in May 2022.

VAT

- All VAT returns have been submitted up to, and including, the quarter ended August 2022.

Section 3: Statutory and other information

Court details for the administration:	High Court of Justice, Chancery Division, Companies Court — case 7943 of 2008
Company's registered name:	Lehman Brothers Holdings plc
Trading name:	Lehman Brothers Holdings plc
Registered number:	01854685
Registered address:	7 More London Riverside, London, SE1 2RT
Date of the administration appointment:	15 September 2008
Joint administrators' names, addresses and contact details:	<p>EJ Macnamara, GE Bruce and DJ Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT</p> <p>If you've got any questions, please get in touch with Diane Adebawale, on +44 (0) 7583 5000, or at: uk_lehmanaffiliates@pwc.com</p>
Changes in Administrator:	<p>On 15 September 2008 Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzman and Michael John Andrew Jervis were appointed Joint Administrators.</p> <p>On 30 November 2009 Derek Anthony Howell was appointed as an additional Joint Administrator.</p> <p>On 22 March 2013 Gillian Eleanor Bruce and Julian Guy Parr replaced Dan Yoram Schwarzman and Michael John Andrew Jervis as Joint Administrators.</p> <p>On 26 July 2018. Ian David Green, Edward John Macnamara and Russell Downs replaced Anthony Victor Lomas, Steven Anthony Pearson and Julian Guy Parr as Joint Administrators.</p> <p>On 16 June 2021 David James Kelly replaced Ian David Green as Joint Administrator.</p> <p>On 30 November 2021 Russell Downs and Derek Howell ceased to act as Joint Administrators.</p>
Appointer's / applicants' name and address:	High Court of Justice, Chancery Division, Companies Court on the application of the directors of the Company, 25 Bank Street, London, E14 5LE.
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 persons for the time being holding that office.
Details of any extensions of the initial period of appointment:	The Court has granted six successive extensions to the Administration to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; 30 November 2020; and 30 November 2022.
Current membership of the Creditors' Committee:	Lehman Brothers Limited - in administration MBAM Investor Limited PAMI Holdings LLC LB GP No.1 Limited - in liquidation Lehman Brothers Holdings Inc.

Section 4: Administrators' remuneration and other matters

Background

The Creditors' Committee is responsible for agreeing the basis and quantum of the Administrators' remuneration.

The Insolvency legislation

There are three alternative fee bases under Insolvency legislation, being either, or a combination of:

- A percentage of the value of the property with which the administrator has to deal;
- By reference to the time properly given by the administrator and his staff in attending to matters arising in the administration; and/or
- As a set amount.

Insolvency legislation also provides that in arriving at its decision on remuneration, the Committee is required to consider the following matters:

- The complexity (or otherwise) of the case;
- Any responsibility of an exceptional kind or degree which falls on the administrator;
- The effectiveness with which the administrator appears to be carrying out, or to have carried out, their duties; and
- The value and nature of the property which the administrator has to deal with.

Statement of Insolvency Practice No. 9

In addition to Insolvency legislation, SIP9, issued by the Joint Insolvency Committee, was revised with effect from 1 April 2021 and applies to all open insolvency cases. It provides guidance to insolvency practitioners in relation to the disclosure of payments to insolvency officeholders and their associates. The revised SIP 9 requires, amongst other things, that payments from an insolvency estate of any element of costs that are shared, or payments being made to an associate, must be approved by the company's fee approving body. These are known as "Category 2 expenses".

The purpose of SIP9 is to set out the principles and key compliance standards with which insolvency practitioners are required to comply with regard to the provision of information to creditors and other interested parties who have a financial interest in the level of office holders' remuneration, disbursements and expenses paid from an insolvent estate.

In accordance with SIP9, Sections 4 and 5 show a summary of the work undertaken by the Administrators in the Reporting Period and, to the extent that is not prejudicial to the interests of the Company, the expected future work the Administrators are to carry out to achieve the purpose of the Administration is shown in Section 6.

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

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2021/administration-creditor-fee-guide-1-april-2021.ashx?la=en>

A copy, free of charge, can be obtained from the Administrators by emailing uk_lehmanaffiliates@pwc.com.

Resolutions of the Creditors' Committee

Given the fundamental uncertainties about the value of the property with which the Administrators have to deal, the Committee resolved that the Administrators' remuneration be based on the 'time properly given' basis – i.e. an hourly billing basis.

The Committee also resolved that the Administrators may draw 75% of their time costs on account from time to time. All such costs are subject to detailed reporting to the Committee and the extent to which the Administrators can draw remuneration is subject to its approval.

Costs incurred and approved to date

Up to 14 September 2022, the Administrators have drawn fees of c.£22.1m, including c.£5.5m of Category 2 expenses (exclusive of VAT) in accordance with resolutions approved by the Committee. These fees are shown in the receipts and payments account at Section 8. During the Reporting Period, the Administrators drew fees of c.£1.6m on account of their time costs.

The time cost charges incurred in the period 1 March 2022 to 31 August 2022 are c.£0.9m. An analysis of the total hours and cost incurred by grade of staff can be found at Section 5.

Time charging policy and hourly rates

We and our team charge our time for the work we need to do in the Administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge required and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the Administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Time is charged in six-minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We do not charge general or overhead costs.

The following table details the maximum hourly rate charged per hour for the grades of staff who worked on the Administration during the Reporting Period:

Restructuring & Insolvency Forensics	Max Rate (£)
Partner	1,060
Director	975
Senior Manager	775
Manager	625
Senior Associate	510
Associate	320

In addition, we call on specialist colleagues where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour:

Tax Data & Technologist	Max Rate (£)
Partner	1,385
Director	1,310
Senior Manager	1,060
Manager	775
Senior Associate	570
Associate	315

In common with many professional firms, our scale rates may rise to cover annual inflationary and other cost increases.

Subcontractors

Certain centralised services are undertaken on behalf of the Company by employees retained by LBIE and LB SF Warehouse Limited for their prior and ongoing knowledge of the Company's affairs. Included in these services are the provision of certain tax and VAT services. 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 the Company on a time costs basis and are invoiced directly to the estate.

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.

Legal and other professional firms

A summary of legal advisors instructed by the Administrators can be found at Section 7. The Administrators are satisfied that the level of legal and professional costs are appropriate.

Expenses

A summary of the expenses, including disbursements, incurred by the Administrators during the period can be found at Section 9.

Section 5: Analysis of Joint Administrators' time costs

Joint Administrators' Time Costs for the period 1 March 2022 to 31 August 2022
(including the cumulative total time costs from the state of the Administrators' appointment to 31 August 2022)

Reporting Category	1-Mar-22 to 31-Aug-22										15-Sep-08 to 31-Aug-22
	Partner / Director		Senior Manager / Manager		Senior Associate		Associate		Total		Cumulative Total
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Cost (£)
Accounting & Treasury	4	3,406	35	21,447	134	62,457	12	3,506	185	90,816	1,827,568
Creditors & Distributions	-	-	1	903	5	2,382	-	-	6	3,285	674,217
Statutory & Compliance	59	54,518	172	111,890	294	135,917	4	1,152	529	303,477	2,171,701
Strategy & Planning	174	171,421	108	66,111	135	57,478	-	-	417	295,009	9,258,325
Tax & VAT	64	85,748	66	55,903	37	18,198	-	-	168	159,849	3,152,665
Total	301	315,092	383	256,253	605	276,433	16	4,658	1,305	852,436	17,084,477
Average hourly rate for the six months period to 31 August 2022										653	

Note: 'Hours' has been rounded up or down, to the nearest whole hour, and there may be rounding in this table which means it appears not to be perfectly cast.

Our work in the period

Although not an exhaustive list, we provide below more detail on the key areas of work:

Accounting and treasury – £90,816

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.

- Provision of information for the purposes of statutory reporting;
- Analysis of interest rates available with counterparties;
- Active management of deposits held in various institutions including mitigating risk on such deposits;
- Due consideration of best strategy for dealing with cash;
- Reconciling bank accounts;
- Monitoring flow of funds into the bank accounts;
- Monthly reporting of outstanding deposits and month end bank balances; and
- Daily monitoring of funds required for immediate cash needs, to ensure that the optimal level of funds is held on deposit.

Creditors and distributions – £3,285

The following tasks were undertaken for the benefit of the creditors:

- Responding to creditor enquiries received via the Lehman Affiliate mailbox and updating creditor information; and
- £3.1m payment to unsecured, unsubordinated creditors in respect of the 7th interim distribution which was declared in September 2021.

Statutory and compliance – £303,477

Work the Administrators undertake in order to ensure compliance with statutory and regulatory requirements. Key activities include:

- Preparing and circulating to creditors the Administrators' 27th progress report to creditors;
- Generating monthly time cost information in support of the Administrators' remuneration;
- Preparation for, holding and minuting the 10th meeting of the creditors' committee;
- Preparing a separate update to the creditors' committee regarding approval of the Administrators' fees and charge-out rates;

- Communications with parties concerning the future constitution of the creditors' committee;
- Preparations for a court application to extend the term of the administration;
- Dealing with statutory filings at Companies House and the Court;
- Preparing the Administrators' internal six monthly case reviews in accordance with professional requirements;
- Managing and updating communications on the Company's website, maintaining and managing case files, records and the Company database; and
- Dealing with other ad-hoc compliance and statutory issues.

Strategy and planning – £295,009

The inherent complexities of the Company's estate mean that the Administrators and their staff continue to invest a significant proportion of their time in the planning and delivery of their strategy for the progression of the Administration. This is whilst ensuring that the Company's interests in relation to the wider Lehman Brothers group are appropriately represented.

The Administrators continue to explore strategies that will enable the Administration to be brought to a conclusion and they anticipate that the Company will be dissolved after the conclusion of the Administration. Activities include:

Subordinated debt proceedings

- Consideration of implications of the Priority Application Supreme Court ruling and development of strategy;
- Engagement with respondents and other interested parties;
- Updates to website; and
- Ongoing consideration and modelling of potential outcome scenarios in light of the Priority Application Supreme Court ruling.

General matters

- Consideration of strategy to maximise the outcome for the Company's creditors and updating strategy documents;
- Discussions with stakeholders in regards to this strategy;
- Review and maintenance of financial information including updating the estimated outcome statement;
- Liaising with tax specialists in respect of provisions for potential outcomes;
- Regular case team meetings to manage case progression;
- Ongoing review of assets in subsidiary companies and determining strategies to maximise recoveries; and

- Liaising with debtors and liquidators in order to collect balances payable.

Tax and VAT – £159,849

Work reported in this category includes compliance with tax legislation under the Administrators' obligations as proper officers for tax, and planning to ensure the efficient realisation of assets for the benefit of the Company's creditors as a whole. Work performed includes:

- Preparation and submission of the 2021 tax computation and return,
- Continued analysis of the application of the new loss restriction rules, corporate interest restriction rules and proposed changes to capital gains tax legislation,
- Quarterly tax update meetings and regular internal update meetings,
- Complying with the Administrators' responsibilities under Senior Accounting Officer legislation,
- Liaising with PwC tax and accounting specialists,
- Preparation VAT returns for May 2022 and August 2022, and
- Work in arranging for VAT repayments to be distributed to the Company.

For further information see Section 2.3

Section 6: Our future work

Examples of work still to be done to achieve the purpose of the Administration are shown below. This is not an exhaustive list. Due to complexities and uncertainties as to timescale and quantum of further receipts into LBH, estimated costs have not been provided with our below summary. Costs are reported to and approved by the Committee on a periodic basis:

- Compliance with various reporting obligations including tax strategy and corporate criminal offence legislation.

Closure

Preparing for and dealing with closure of the Administration and dissolution of the Company.

Accounting and treasury

- Investment, monitoring and control of LBH's free cash resources, including ensuring cash is held in interest bearing accounts in approved banks and subject to frequently reviewed limits;
- Processing of general day-to-day payments and receipts; and
- Adherence to the UK and US FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard);
- Facilitating payments of outstanding Statutory Interest to unsubordinated creditors and, if and when the Company has sufficient funds, making payments to the Company's subordinated creditors.

Intercompany recoveries and distributions

Continued recovery of intercompany balances and coordination of distributions between intercompany debtor balances.

Statutory and compliance

- Preparing and issuing of further progress reports to creditors;
- Six monthly review of case progress;
- Other statutory filings at Companies House and Court; and
- Planning and applying for further extensions of the Administration as required.

Strategy and planning

- Considering and directing the overall strategy for LBH;
- Preparation of and reporting to the Committee on a periodic basis; and
- Oversight of reporting and accounting, including periodic meetings to monitor progress.

Tax and VAT

- Preparation and submission of corporation tax computations and returns;
- Consideration of impact on the Company of changes to UK tax legislation, including loss restriction and interest deductibility rules, and the potential impact as part of the corporation tax returns; and

Section 7: Legal and other professionals

We have instructed the following professionals on this case 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.

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 have satisfied themselves that the level of legal and professional costs is appropriate.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services	• Linklaters LLP	Specialist knowledge and experience	Time cost basis
	• Dentons UKMEA LLP	Specialist knowledge and experience	Time cost basis
	• Hogan Lovells International LLP	Specialist knowledge and experience	Time cost basis

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 have satisfied themselves that the level of legal and professional costs is appropriate.

Section 8: Receipts & Payments to 14 September 2022

Amount in £'millions	Notes	As at 14 Sep 2022	As at 14 Mar 2022	Movement
Receipts				
Investments in subsidiaries		623.6	623.6	-
Intercompany debtors		796.4	796.4	-
Sale of tax losses		9.2	9.1	0.1
Sale of LBAM		(0.8)	(0.8)	-
Other receipts		8.6	8.2	0.4
Total receipts for period		1,437.0	1,436.5	0.5
Payments				
Distributions to unsecured, unsubordinated creditors	1	1,428.9	1,425.8	3.1
Administrators' remuneration		16.6	15.0	1.6
Administrators' expenses	2	5.5	0.4	5.1
Legal and other professional fees		13.8	13.3	0.5
Purchase of tax losses		13.5	13.5	-
Other payments		2.4	2.4	-
Net irrecoverable VAT	3	1.9	1.7	0.2
Net recoverable VAT	3	1.0	0.9	0.1
Total payments for period		1,483.6	1,473.0	10.6
Inter-currency transfers				
Receipts from inter-currency transfers		99.9	99.9	-
Payments from inter-currency transfers		-	-	-
Net inter-currency transfers	5	99.9	99.9	-
Cash balances				
Bank accounts		2.3	7.0	(4.7)
Money market deposits	4	51.0	56.4	(5.4)
Net cash position		53.3	63.4	(10.1)

Notes to the receipts and payments account

1. During the Reporting Period, £3.1m was paid to unsecured, unsubordinated creditors in respect of the 7th interim distribution which was declared in September 2021. A detailed breakdown of distributions paid is included in the below table.

Distributions to non-preferential unsecured unsubordinated creditors	£m
1st dividend of 4.08p in the £, declared 3 September 2014	43.8
2nd dividend of 2.00p in the £, declared 10 February 2016	21.6
3rd dividend of 62.963p in the £, declared 6 September 2017	676.7
4th dividend of 18.587p in the £, declared 13 September 2018	199.8
5th dividend of 12.37p in the £, declared 15 March 2019	132.9
5th dividend of a share of statutory interest, declared 15 March 2019	27.1
6th dividend of a share of statutory interest, declared 16 February 2021	267.3
7th dividend of a share of statutory interest, declared 15 September 2021	59.7
Total distributions	1,428.9

2. Includes c.£5.0m paid in the period to LBIE in two payments, in connection with a contractual obligation shared with, and paid by, other UK Lehman estates. These payments were approved by the Committee.
3. LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
4. Funds are invested on the money markets in order to accrue interest and to manage risk.
5. In addition to the receipts listed above, c.US\$146.7m and c.€0.3m has been received during the course of the Administration. Almost all such funds were exchanged for £ sterling by inter-currency transfer, prior to the Reporting Period, for a total value of £99.9m. In the reporting period, there were receipts of c.US\$8k from intercompany debtors.
6. Sums have been rounded to the nearest £0.1m.
7. There may be rounding in this table which makes it appear to not perfectly cast.

Section 9: Statement of Expenses

The following table provides details of the expenses incurred in the Administration. 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 Irrecoverable VAT, that may be payable as an 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 8, which shows expenses paid during the Reporting Period and the total paid to 14 September 2022.

It remains difficult to provide a meaningful estimate of future expenses. Whilst the table includes an estimate, the Administrators caution that actual future expenses will be considerably impacted by, among other matters, the final resolution of the LBIE estate. The estimate we have provided assumes that this will result in the Administration lasting for a further 36 months, however that timeframe could be shortened or extended depending upon how and when matters are ultimately resolved, such that the eventual future expenses may be materially different from those provided in the estimate.

Expense category	Incurred in Reporting Period (£m)	Estimated future (£m)	Estimated total (£m)
Joint Administrators' remuneration & expenses	0.9	3.6	21.2
Legal and other professional fees	1.2	2.5	16.4
Other costs and payments	0.1	1.2	3.6
General reserve (including third party shared costs with other UK Lehman estates)	0.2	12.2	17.2
Irrecoverable VAT	0.2	1.4	4.0
Total	2.5	20.9	62.4

Notes:

1. Amounts have been rounded to the nearest £0.1m.
2. There may be rounding in this table which makes it appear to not perfectly cast.

Section 10: Estimate of future time costs

Whilst an estimate of future time costs is provided in the table below, the Administrators caution that actual future expenses will be considerably impacted by, among other matters, the final resolution of the LBIE estate. The estimate we have provided assumes that this will result in the Administration lasting for at least a further 36 months, however that timeframe could be shortened or extended, depending upon how matters affecting the LBIE estate are ultimately resolved, such that the eventual future expenses may be materially different from those provided in the estimate.

Classification of work	£m
Accounting and Treasury	0.5
Creditors and Distributions	0.3
Statutory and Compliance, Tax and VAT	1.4
Strategy and Planning	1.4
Total	3.6