

Lehman Brothers Limited - In Administration

**Joint Administrators' progress report
for the period 15 September 2022 to 14
March 2023**

13 April 2023

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Abbreviations and definitions

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

Abbreviation or definition	Meaning
Company/LBL	Lehman Brothers Limited - in administration
Joint Administrators/Administrators/ we/us/our	Zelf Hussain, Gillian Eleanor Bruce, Edward John Macnamara and David James Kelly of PricewaterhouseCoopers LLP Michael John Andrew Jervis from 15 September 2008 to 4 January 2023
reporting period	15 September 2022 to 14 March 2023
Firm/PwC	PricewaterhouseCoopers LLP
IR16	Insolvency (England and Wales) Rules 2016
Group	The UK Lehman Brothers group of companies
Committee	The Creditors' Committee of the Company
LBIE	Lehman Brothers International (Europe) - in administration
LBHI2	LB Holdings Intermediate 2 Limited - in administration
LBH Plc	Lehman Brothers Holdings Plc - in administration
LBEL	Lehman Brothers Europe Limited (now dissolved)
LBHI	Lehman Brothers Holdings Inc.
SLP3	Lehman Brothers Holdings Scottish LP3
LBUKH	Lehman Brothers UK Holdings Limited
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
Subordinated Affiliates	Certain affiliate creditors, which agreed to subordinate their Statutory Interest entitlements to those of third party creditors whose admitted claims ranked equally for the purposes of Statutory Interest, pursuant to the subordination deed approved 21 January 2021
HMRC	HM Revenue & Customs
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
Preferential claims	Claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
EBT	Employee Benefit Trust
SIP9	Statement of Insolvency Practice No. 9 Payments to insolvency office holders and their associates

This report has been prepared by Z Hussain, GE Bruce, EJ Macnamara and DJ Kelly as Administrators of the Company, solely to comply with the Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Administrators' previous reports issued to the Company's creditors, which can be found at www.pwc.co.uk/lbl. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Z Hussain, GE Bruce, EJ Macnamara 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. The Administrators 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: <https://www.gov.uk/government/publications/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 29th progress report prepared by the Administrators of the Company.

This report provides an update on the work the Administrators have undertaken, with particular focus on progress between 15 September 2022 and 14 March 2023.

Earlier reports can be viewed on our website at www.pwc.co.uk/lbl.

Change in office holders

We regret that Michael Jervis, one of the Joint Administrators, passed away on 4 January 2023. We confirm that the required notifications have been made in accordance with the relevant legislation.

At this stage of the Administration process, the remaining Administrators have concluded that the Administration can continue to progress without the appointment of a replacement Administrator. As such, Zelf Hussain, Gillian Eleanor Bruce, Edward John Macnamara and David James Kelly remain the Joint Administrators of the Company.

Objectives of the Administration

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

The specific aims of the Administration of LBL ("the Administration") have included:

- Realise all assets of LBL, where value may exist;
- Provide ongoing employee and infrastructure support to the Group in exchange for appropriate reimbursement;
- Mitigate, so far as possible, any further liabilities against LBL by the transfer or termination of contracts; and
- Adjudicate the claims of creditors and pay distributions to creditors with admitted claims.

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 37 meetings with the Committee, the most recent of which was held on 6 December 2022.

Outcome for unsecured creditors

Creditors will recall that at the end of the prior reporting period, the Administrators had paid:

- a dividend of 100p in the £ to former employees with admitted preferential claims;
- two dividends totalling 100p in the £ on admitted ordinary unsecured claims;
- two dividends totalling 100p in the £ on admitted subordinated claims ranking ahead of Statutory Interest;
- two distributions to preferential, unsecured and subordinated creditors totalling 100% of creditors' respective entitlements to Statutory Interest; and
- three interim distributions totalling 77.62% to certain affiliate creditors who agreed to subordinate their remaining Statutory Interest entitlements as a result of the settlement of the Clawback litigation (the "Subordinated Affiliates").

At present the quantum and timing of any further distributions to these creditors remains to be determined for reasons discussed in Section 2.2 below.

Why we remain in office

The Administrators remain in office to deal with the following tasks: collection of outstanding debts and Statutory Interest receivable; resolution of remaining claims; making final Statutory Interest payments to those who have not yet received their entitlement in full; compliance with tax and VAT matters; compliance with statutory tasks; and conclusion of the Administration. Further details are contained within the body of this report.

Extension to the administration

On 25 November 2022, the Court granted the Administrators' application for an extension to the Administration by a further three years to 30 November 2025.

The extension does not prevent the Administrators from bringing the Administration to an end at such earlier time as the objectives of the Administration have been met.

Future reports

The Administrators will circulate their next report to creditors in approximately six months.

Signed

A handwritten signature in black ink, appearing to be 'Z Hussain', written in a cursive style.

Z Hussain
Joint Administrator
Lehman Brothers Limited

Section 2: Administrators' actions to date

Creditors will be aware that before the Administration, LBL held most of the UK service and employee contracts on behalf of the Group, and provided all HR, IT, property, accounting and other services for the Group in the UK and Europe, and continued to provide services to other administration companies following the Administrators' appointment until 31 May 2013 when the then continuing services and 400 retained employees were transferred to LBIE.

Throughout the Administration, the Administrators have utilised specialist teams from their Firm, who have worked with retained LBL and latterly LBIE employees to ensure LBL's operations are properly coordinated and the objectives of the Administration are met.

Key progress from 15 September 2022 to 14 March 2023 includes:

- Developing and analysing potential options for the completion of LBL's estate and exit from Administration, taking into account the interests of creditors and shareholders and interactions with other Lehman group companies
- Consideration of LBH Plc's ability to make further payments of LBL's entitlement to Statutory Interest and the timing of such payments, which is dependent on a number of material factors, the key ones being:
 - the quantum of further payments to LBH12 from LBIE, and the proportion of such payments retained by LBH12 under the Wentworth Joint Venture ("WW") sharing agreement;
 - dealing with a complaint received from one of LBH Plc's creditors, as previously referred to; and
 - the duration, future costs and priority expenses of the LBH, LBIE, and LBH12 administrations.
- Adjudication of HMRC's claim for inheritance tax (IHT claim) and payment of the same;
- Payment of HMRC's claim for Employers' National Insurance Contributions (ERNIC);
- Continuing to trace creditors who are yet to receive dividend payments and Statutory Interest entitlements: and

Receipts and payments account

Since our previous report cash held has decreased from c.£75.2m to c.£74.7m. Key movements include:

- Receipt of bank interest and book debts totalling £1.8m;

- Receipt of a recharge for legal fees of £500k
- Payment of Administrators' fees of c.£601k; and
- Payment to HMRC in respect of two claims plus statutory interest, totalling £1.5m;

As set out in earlier Progress Reports, all of the Company's assets are uncharged, there being no secured creditors.

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. Given the nature of the Company's assets and ongoing realisations, the Administrators are not in a position to provide an estimate of the final outcome for the remaining affiliated creditors.

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 Intercompany balances

Overview

As set out in previous reports, the global nature of the Lehman business, with highly integrated trading and non-trading relationships across the Group, led to a complex series of intercompany positions at the date of Administration.

Progress

As creditors may recall from earlier Progress Reports, the Waterfall III settlement provided that the final account balances between LBL and LBIE, and LBL and LBEL, were to be agreed at nil and c.£282.2m respectively (LBEL being a creditor of LBL).

The largest receivable balance was £709m due from LBH Plc to LBL. The principal amount has been paid in full, together with c.£232m of Statutory Interest. No further Statutory Interest has been received from LBH Plc in this reporting period. Further receipts are dependent upon the outcome from LBH Plc's subordinated claims in LBHI2, and other matters described in Section 2.2 below.

A smaller recovery of £116k was received from Lehman Brothers Australia Limited during the reporting period.

As creditors are aware, a Plan of Reorganisation of LBHI and the other Affiliates in US Chapter 11 proceedings became effective on 6 March 2012. As a result of the settlement of the Clawback proceedings, described further in the Administrators' 25th Progress Report, there will be no further recoveries in respect of LBL's allowed claim in LBHI.

Approximately seven other Group balances continue to be monitored and progressed where there remains a reasonable prospect of future realisations.

2.2 Outstanding matters

Statutory Interest receivable from LBH plc

The key remaining matter in LBL's Estate is the receipt of further Statutory Interest payable in respect of LBL's claim in LBH Plc (the claim having been paid in full).

LBH Plc's ability to make further payments of LBL's entitlement to Statutory Interest and the timing of such payments is 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 ("WV") sharing agreement;
- dealing with a complaint received from one of LBH Plc's creditors, as previously referred to; and
- the duration, future costs and priority expenses of the LBH, LBIE, and LBHI2 administrations.

As previously reported, LBH Plc, has a number of assets which it has yet to realise, the largest of which is a subordinated claim in LBHI2.

Creditors will recall that, following settlement of the Waterfall II proceedings, LBHI2 has sufficient assets to enable a distribution to its creditors with subordinated claims.

In addition to the subordinated claim of LBH Plc, LBHI2 has another material subordinated liability to SLP3.

The ranking of these two subordinated claims in relation to each other has a material impact on the quantum of distribution LBH Plc receives in respect of its subordinated claim, and consequently the quantum LBH Plc is able to distribute to its unsecured creditors, including LBL.

LBHI2 applied to the Court for directions in relation to the ranking of the two subordinated claims. Judgment was handed down by the Court of Appeal on 20 October 2021, and on 8 August 2022, the Supreme Court refused leave to appeal. A copy of the Order can be found here:

<https://www.pwc.co.uk/business-recovery/administrations/assets/supreme-court-order-2022-08-08.pdf>.

The Court has directed that LBH Plc's subordinated claim in LBHI2 ranks ahead of the claim of SLP3 and the judgement is final and binding.

The joint administrators of LBH Plc issued an update to its creditors which provides further information on the decision of the Supreme Court. This update may be of interest to LBL's creditors, but is not directly relevant to them and should accordingly be read with caution. The update can be found here:

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

LBHI2 is anticipated to pay further distributions in respect of LBH Plc's subordinated claim.

We continue to progress matters as noted in our previous report.

Potential settlements of LBL and other affiliate estates

The Administrators have continued to explore with LBHI and other stakeholders potential mechanisms to accelerate the payment of further distributions to creditors, and closure of the estates of LBL and certain other Lehman UK entities.

2.3 Creditor claims and dividend prospects

Preferential creditors

As creditors are aware from previous reports, a dividend of 100p in the £ has been paid to preferential creditors whose claims have been admitted.

Unsecured and subordinated creditors

Dividends totalling 100p in the £ have been paid on admitted unsecured claims and on admitted claims subordinated to unsecured claims but ranking ahead of Statutory Interest.

Interest for post-Administration periods

On 13 September 2018 an interim distribution was declared and subsequently paid in respect of Statutory Interest, being 31.4% of the respective entitlements to such interest of preferential creditors, unsecured creditors and subordinated creditors with claims ranking ahead of Statutory Interest.

Following the settlement of the Clawback litigation, as set out in the Administrators' 25th Progress Report, the Subordinated Affiliates agreed to subordinate their Statutory Interest entitlements to those of other creditors whose admitted claims ranked equally for the purposes of Statutory Interest.

On 22 March 2021, a final payment of Statutory Interest was declared and subsequently paid to preferential and unsecured creditors (other than the Subordinated Affiliates), being the remainder of the respective entitlements such that the cumulative paid amounts total 100%, with no further amounts due. The gross cumulative amount paid totals c.£62.6m.

Subordinated Affiliates

The total of Statutory Interest paid to the Subordinated Affiliates at the end of the prior reporting period was c.£347m, representing a cumulative amount paid of 77.62%.

Claims agreement

The Administrators' Notice of Intended Dividend dated 6 August 2018 gave notice that the last date for proving for claims was 28 August 2018. As such the deadline for submitting claims has passed and the Administrators are not obliged to adjudicate claims submitted after that date.

A number of additional or amended claims were submitted before 28 August 2018. Work has continued to review and adjudicate the remaining claims.

As previously reported, two claims totalling c.£9m remained to be formally adjudicated which included a

claim from HMRC for Inheritance Tax amounting to approximately £8m. This claim has been admitted to rank for dividend in the amount of £667k, and has been paid in full, with Statutory Interest of £771k.

There remain two unadjudicated claims, one for c.£1m, and a further claim from HMRC for c. £0.1m in relation to a potential future liability to IHT. The unadjudicated claim of c.£1m is the subject of continuing discussion with the creditor.

Additional HMRC (ERNIC) claim

On 15 May 2020, HMRC made us aware of a claim for Employers' National Insurance Contributions (ERNIC), also arising in relation to an EBT, in the sum of £13k. This claim was admitted to rank for dividend purposes and was paid in full (with Statutory Interest of £15k) during the reporting period.

Catch-up dividends

It is the Administrators' policy to make periodic 'catch-up' dividend payments to creditors when further claims are agreed or bank details provided.

No catch up payments were made during the reporting period. Future catch-up payments will be made at a time when it is economically appropriate to do so.

The Administrators have progressed an exercise with the assistance of the Department for Work and Pensions to trace unpaid creditors where existing contact details held are out of date. 11 creditors have made contact in response to this exercise. We are verifying their identities and bank details but, subject to that, expect distributions to be paid shortly. Efforts continue to trace a further 47 creditors.

Claim reserves and dividend prospects

The Administrators continue to reserve for claims not yet finally adjudicated. The timing of any further payments in respect of post-Administration Statutory Interest to Subordinated Affiliates will depend upon progress in resolving the creditor complaint in LBH Plc, and distributions from LBH12 to LBH Plc.

Issues and priorities

The Administrators' priorities in relation to creditor claims for the next six months are to make catch-up payments to creditors as identified through the tracing process.

2.4 Tax planning and compliance

Prior to entering Administration, LBL coordinated the Group corporate tax, VAT and PAYE affairs. Since Administration, this role has diminished but LBL continues to act as representative member of the Lehman Administration Companies VAT group and coordinates the Group loss allocation for corporation tax purposes.

Progress

Specific progress in the reporting period includes:

Corporation Tax

- Preparation of the year ended 31 May 2023 tax return, including ongoing review of tax legislative changes;
- 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; and
- Compliance with responsibilities under Senior Accounting Officer legislation.

VAT

All VAT returns have been submitted up to, and including, the quarter ended February 2023.

Since the last report to creditors, no VAT repayments have been received from HMRC due to an open enquiry raised by HMRC in respect of a liability to PAYE and Employers' National Insurance showing as due in HMRC's system. The Administrators believe no such liabilities are due and are providing further information to HMRC. When this enquiry is concluded, we expect VAT refunds will be released by HMRC. LBL anticipates receiving VAT repayments for the Nov 21, May 22, Aug 22 and Feb 23 VAT return periods, of which c.£220k relates to LBL.

PAYE and other employment taxes

- Submission of monthly RTI (Real Time Information) returns.
- Reviewing historic case records to evidence the submission and payment of PAYE tax following the issue raised by HMRC, discussed above.

HMRC Unsecured Claim

HMRC had submitted a claim for Inheritance tax (IHT) of c.£8m arising in relation to EBTs.

The Administrators conducted extensive searches of LBL's records and worked with the trustees of the EBTs and with IHT specialists and legal advisers to establish the

relevant facts and legal analysis in this complex matter, many relevant elements of which date back to the 1990s.

As discussed in an earlier section, we met with HMRC via a virtual mediation, following which HMRC agreed to amend its claim which has been admitted and paid in the sum of £667k, plus applicable Statutory Interest.

Section 3: Statutory and other information

Court details for the administration:	High Court of Justice, Chancery Division, Companies Court - Case 7945 of 2008
Company's registered name:	Lehman Brothers Limited
Trading name:	Lehman Brothers Limited
Registered number:	00846922
Registered address:	7 More London Riverside, London, SE1 2RT
Date of the administration appointment:	15 September 2008
Joint administrators' names, addresses and contact details:	Zelf Hussain, Gillian Eleanor Bruce, Edward John Macnamara and David James Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, SE1 2RT. Email: uk_lbl_enquiries@pwc.com
Changes in Administrator:	<p>Derek Anthony Howell was appointed as an additional Joint Administrator on 30 November 2009.</p> <p>Julian Guy Parr replaced Derek Anthony Howell as a Joint Administrator on 22 March 2013. Zelf Hussain replaced Dan Yoram Schwarzman as a Joint Administrator on 1 June 2016, on which day Anthony Victor Lomas, Steven Anthony Pearson and Julian Guy Parr also ceased to act as Joint Administrators.</p> <p>Gillian Eleanor Bruce, Edward John Macnamara and Russell Downs were appointed as additional Joint Administrators on 26 July 2018.</p> <p>David James Kelly replaced Russell Downs as a Joint Administrator on 30 November 2021. Michael John Andrew Jervis passed away on 4 January 2023 and therefore ceased to act.</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 2011; 30 November 2013; 30 November 2014; 30 November 2016; 30 November 2020; and 30 November 2022 and 30 November 2025.
Estimated dividend for unsecured creditors:	<p>An Order was granted giving the Joint Administrators leave to pay distributions to (non-preferential) unsecured creditors of LBL.</p> <p>The Administrators declared and paid a first interim dividend of 1.66p in the £ to ordinary unsecured creditors on 15 December 2014, and declared on 6 September 2017 and paid shortly thereafter a second dividend of 98.34p to ordinary unsecured creditors.</p> <p>A first interim dividend of 77.44p in the £ was declared and paid to subordinated creditors ranking above Statutory Interest on 11 September 2017, and a second and final dividend of 22.56p in the £ was paid to such creditors on 14 April 2018.</p> <p>The Administrators have issued a final Notice of Intended Dividend for unsecured claims and post-Administration interest setting a last date for proving of 28 August 2018, and on 13 September 2018 declared a distribution of 31.4% of creditors' Statutory Interest entitlements. On 12 March 2021, a distribution of 33.6% of the Subordinated Affiliates' Statutory Interest entitlements was paid, with the remaining creditors receiving a distribution of 68.6% on 13 April 2021. On 16 September 2021, a further interim distribution of 12.62% was paid of the Subordinated Affiliates' Statutory Interest entitlements.</p>
Current membership of the Creditors' Committee:	LB Holdings Intermediate 2 Limited - in administration Lehman Brothers Holdings Inc. 314 Commonwealth Avenue 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, provides guidance to insolvency practitioners in relation to the disclosure of payments to insolvency office holders and their associates.

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, which was revised with effect from 1 April 2021, sections 5 and 6 shows 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 2.

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_lbi_enquiries@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 to assist with the smoothing of working capital. 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

To 14 March 2023, the Administrators have drawn fees of c.£44.7m, including c.£1.3m of disbursements (exclusive of VAT) in accordance with the Committee resolution and approvals. These fees are shown in the receipts and payments account at Section 8. During the reporting period, the Administrators drew fees and expenses of c.£601k on account of their time costs.

The time cost charges incurred in the period 1 September 2022 to 28 February 2023 are c.£740k. 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. Work carried out by our cashiers, support and secretarial staff is charged separately and is not included in the hourly rates charged by partners or other staff members.

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 summarises the hourly rate ranges charged per hour for the grades of staff who have already worked on the Administration during the reporting period:

Grade	Min Rate (£)	Max Rate (£)
Partner	1,060	1,385
Director	975	1,310
Senior Manager - Insolvency specialist*	775	1,060
Senior Manager	715	1,060
Manager	625	775
Senior Associate	510	570
Associate	320	320

* *insolvency specialist - exam qualified (JIEB) or time qualified (>15 years' experience)*

Payments to associates

LBIE is a member of the Group, and several of its administrators are also administrators of LBL. LBIE's employees are instructed to perform tax work for LBL in order to achieve cost savings by streamlining the processes across the Group, and to benefit from the specialist expertise held. During the reporting period £4.9k was paid to LBIE in this regard.

Subcontractors

No work was subcontracted by the Administrators in the reporting period.

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 September 2022 to 28 February 2023

Reporting Category	Partner		Director		Senior Manager		Manager		Senior Associate		Associate		Support		Total	
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)
Accounting & Treasury					34	24,144	35	21,688	87	44,210	18	5,640	5	1,654	178	97,335
Employee & Creditor Claims	1	530			12	8,672	1	853	9	4,437	9	2,896			31	17,387
Intercompany					1	960			1	255					2	1,215
Statutory & Compliance	15	15,370	3	2,730	89	67,449	6	4,431	203	106,427	109	34,344			425	230,752
Strategy & Planning	26	27,719			195	150,077	3	1,594	15	7,630	9	2,976			248	189,996
Tax & VAT	24	32,963	1	1,310	20	18,303	154	117,903	59	32,308	2	597			260	203,384
Total	65	76,582	4	4,040	351	269,605	199	146,468	373	195,266	147	46,454	5	1,654	1,144	740,068

Accounting and treasury – £97,335

Work reported in this category relates to LBL's accounting and treasury activities to maximise interest receipts, manage liquidity and minimise financial risk, preserving value for creditors. Key activities include:

- Facilitating payments of Statutory Interest;
- Investment, monitoring and control of LBL's free cash resources, including ensuring cash held at best rates only in approved banks and subject to frequently reviewed limits;
- Monitoring investment strategy and reviewing in response to changing market conditions;
- Reviewing liquidity and investment maturities to ensure sufficient cash to meet Administration expenses;
- Periodic audit of treasury processes and procedures;
- Adherence to the UK and US FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard);
- Preparing of periodic receipts & payments reports and information to support financial management and decision making;
- Periodic reconciliation of bank accounts to ledger;
- Providing input to VAT returns and distribution of VAT receipts to other Lehman Administration Companies; and
- Processing of general day to day payments and receipts.

Employee and creditor claims – £17,387

Work reported in this category relates to LBL's claim adjudication and creditor details the work has been done in preparation for a return to creditors and to ensure ease of receipts. Key activities include:

HMRC

- Payment of HMRC's ERNIC and EBT claims together with Statutory Interest on the same.

General supplier and employee creditor claims

- Obtaining and verifying revised bank account details from creditors;
- Utilising the Department for Work and Pensions to locate creditors and employees who have not received their dividend;
- Corresponding with creditors which have made contact following the receipt of correspondence from the Department for Work and Pensions; and
- Updating creditor contact details when notified.

See Section 2.3 for further information on the above work streams.

Intercompany – £1,215

This work relates to the agreement of intercompany balances and collection of receivables for the benefit of creditors and increased returns to creditors. This excludes matters actually or potentially the subject of litigation. See Section 2.1 for further detail.

Statutory and compliance – £230,752

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

- Preparing and issuing of September 2022 progress report to creditors;
- Six monthly review of case progress;
- Undertaking a review of all physical and electronic records held by the Lehman Group entities, to ensure all files are held in the correct Lehman entity, to support compliance with GDPR requirements regarding the retention and destruction of records (costs shared with participating Lehman Group entities);
- Other statutory filings at Companies House and Court; and
- Recording, monitoring and reporting of time spent by Administration case staff.

Strategy and planning – £189,996

This work relates to directing and coordinating the overall conduct of the Administration so that it is progressed in a timely and efficient manner for the benefit of the Company's creditors. Key activities include:

- Considering and directing the overall strategy for LBL, including engagement with stakeholders and legal advisers in particular with regard to potential mechanisms to accelerate payments to creditors;
- Considering the implications for LBL from the creditor complaint received by the joint administrators of LBH Plc and correspondence with solicitors in relation to that matter;
- Work in relation to considering exit options from Administration.
- Oversight of the claims adjudication process and reserving for claims and other matters including provisioning for any outstanding claims and matters to a sufficient level;
- Reviewing and approving legal and other third party costs and invoices;
- Coordinating, directing and resourcing work stream activities;
- Preparing for and reporting to the Committee at the meeting held on 6 December 2022;

- Oversight of reporting and accounting, including periodic meetings to monitor progress; and
- Oversight of funds management and investment strategy.

Tax and VAT – £203,384

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 VAT returns;
- Working with HMRC to reconcile the PAYE liability shown in HMRC's records, and provide information to support the Administrators' records;
- Preparation of corporation tax return for the year ended 31 May 2022;
- Submission of monthly RTI (Real Time Information) returns;
- Compliance with various reporting obligations including tax strategy, Senior Accounting Officer and corporate criminal offence legislation; and
- Providing tax support regarding potential future payments.

For further information see Section 2.4

Section 6: Our future work

Examples of work still to be done to achieve the purpose of the Administration are shown below, due to complexities and uncertainties as to timescale and quantum of further receipts into LBL, estimated costs have not been provided with our below summary. Costs are reported to and approved by the creditors committee on a c.six monthly basis. This is not an exhaustive list and contains samples of the work still to be undertaken:

Accounting and treasury

- Investment, monitoring and control of LBL's free cash resources, including ensuring cash held at best rates only in approved banks and subject to frequently reviewed limits, and ensuring funds are held in appropriate currencies;
- Adherence to the UK and US FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard);
- Processing of general day to day payments and receipts; and
- Facilitating payments of catch-up and reissued dividends.

Employee and creditor claims

- Adjudication of the final creditor claim;
- Payment of further catch-up dividends and Statutory Interest; and
- Re-issue of returned dividends to creditors.

Intercompany

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

Litigation

Continued involvement in intercompany litigation and claims, in relation to the creditor complaint in LBH Plc and other matters.

Statutory and compliance

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

Strategy and planning

- Considering and directing the overall strategy for LBL, including reviewing options and strategy for completing distributions to creditors, and (if

recoveries from LBH Plc permit), potential returns of equity to LBH Plc as shareholder;

- 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

- Providing tax support to discuss approach and potential methodologies to accelerate repayments of cash to creditors;
- Preparation and submission of VAT 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;
- Compliance with various reporting obligations including tax strategy and corporate criminal offence legislation; and

Closure

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

Section 7: Legal and other professionals

Service provided	Name of firm / organisation	Reason selected	Basis of fees
<p>Legal services, including:</p> <ul style="list-style-type: none"> • Legal input into the claims adjudication process and settlement where required • Advice in respect of unclaimed dividends • Advice on other ad hoc matters • Advice on the proposed extension to the Administration term 	<ul style="list-style-type: none"> • Linklaters LLP 	<p>Specialist knowledge and experience (in overseas jurisdictions, where applicable)</p>	<p>Time cost basis</p>
<p>Legal services, including:</p> <ul style="list-style-type: none"> • Legal advice in matters concerning the creditor complaint received by the joint administrators of LBH Plc 	<ul style="list-style-type: none"> • Winstron & Strawn London LLP 	<p>Specialist knowledge and experience (in overseas jurisdictions, where applicable)</p>	<p>Time cost basis</p>

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 March 2023

Amount in millions	Notes	GBP	EUR	USD	CHF	As at	As at	Movement
						14 Mar 2023	14 Sept 2022	
						Total in GBP	Total in GBP	
Receipts								
Contribution from third parties	1	142.4	0.6	11.3	-	150.1	149.6	0.5
Building recharge receipts		130.4	-	-	-	130.4	130.4	-
Payroll recharge receipts		502.0	0.1	57.1	-	538.4	538.4	-
Other (including realisations and payments for other companies)		1,218.0	3.9	222.8	0.9	1,363.9	1,362.6	1.3
Tax related receipts		727.6	-	-	-	727.6	727.6	-
VAT received on invoices		14.1	-	-	-	14.2	14.2	-
Total receipts for period		2,734.6	4.6	291.2	0.9	2,924.5	2,922.8	1.8
Payments								
Building and occupancy cost		(179.4)	(0.3)	(62.9)	-	(219.7)	(219.7)	-
Payroll and employee costs	2	(520.6)	(2.8)	(45.2)	-	(551.7)	(551.7)	-
Return of recharge surplus		(2.4)	-	-	-	(2.4)	(2.4)	-
Other costs and payments		(74.5)	(0.3)	(1.2)	(0.0)	(75.5)	(75.5)	(0.0)
Other advisors' costs		(1.3)	-	-	-	(1.3)	(1.3)	-
Legal fees		(43.2)	-	(5.2)	-	(47.2)	(47.2)	(0.0)
Administrators' fees	3	(44.6)	-	-	-	(44.7)	(44.1)	(0.6)
Settlement of Clawback liability		-	-	(112.0)	-	(80.8)	(80.8)	-
Return of Corporation Tax to group companies		(469.9)	-	-	-	(469.9)	(469.9)	-
VAT related payments		(211.8)	-	-	-	(211.8)	(211.8)	(0.0)
VAT paid on invoices		(18.6)	-	(1.4)	-	(19.5)	(19.4)	(0.1)
Intercompany transfer		(1.5)	-	-	-	(1.5)	(1.5)	-
Total payments for period		(1,567.9)	(3.4)	(227.9)	(0.0)	(1,726.0)	(1,725.3)	(0.8)

Inter-currency transfers

Receipts from inter-currency transfers	164.1	2.7	189.2	-	309.1	309.1	0.0
Payments from inter-currency transfers	(131.1)	(3.9)	(252.5)	(0.9)	(297.7)	(297.7)	(0.0)
Non-cash brought forward FX adjustment	-	-	-	-	(10.3)	(10.3)	-
Net inter-currency transfers	33.0	(1.2)	(63.3)	(0.9)	1.1	1.1	(0.0)

Distributions

4

Distribution to preferential creditors @ 100p/£ (declared 07/06/13)	(1.9)	-	-	-	(1.9)	(1.9)	-
Distribution to unsecured creditors @ 1.66p/£ (declared 15/12/14)	(11.3)	-	-	-	(11.3)	(11.3)	(0.0)
Distribution to unsecured creditors @ 98.34p/£ (declared 06/09/17)	(674.6)	-	-	-	(674.6)	(674.0)	(0.7)
Distribution to subordinated creditors @ 77.44p/£ (declared 06/09/17)	(19.4)	-	-	-	(19.4)	(19.4)	-
Distribution to subordinated creditors @ 22.56p/£ (declared 14/04/18)	(5.6)	-	-	-	(5.6)	(5.6)	-
Gross distribution to preferential, unsecured and subordinated creditors of statutory interest @ 31.4% (declared 13/09/18)	(160.9)	-	-	-	(160.9)	(160.7)	(0.2)
Gross distribution to unsecured creditors of statutory interest @ 33.6% (declared 12/03/21)	(146.5)	-	-	-	(146.5)	(146.5)	-
Gross distribution to preferential and unsecured creditors of statutory interest @ 68.6% (declared 13/04/21)	(47.8)	-	-	-	(47.8)	(47.2)	(0.5)
Gross distribution to unsecured creditors of statutory interest @ 12.62% (declared 16/09/21)	(56.6)	-	-	-	(56.6)	(56.6)	-
Total distributions	(1,124.7)	-	-	-	(1,124.7)	(1,123.3)	(1.5)

Net cash position

74.9	-	0.0	0.0	74.9	75.4	(0.5)
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Bank balances

HSBC	5	1.4	-	0.0	0.0	1.4	2.9	(1.5)
Money Market Funds		73.3	-	-	-	73.3	72.2	1.0
Net bank balance	6	74.7	-	0.0	0.0	74.7	75.2	(0.5)

Notes to the receipts and payments account

1. Amounts include elements of building & occupancy and payroll-related recharges.
2. Amounts include payroll costs attributable to LBL.
3. Amounts shown include Administrators' disbursements of c.£1.3m.
4. A detailed breakdown of distributions paid is included in the below table.

	£m
Distribution to preferential creditors at 100p/£, declared 07/06/13	1.9
Distribution to unsecured creditors at 1.66p/£, declared 15/12/14	11.3
Distribution to unsecured creditors at 98.34p/£, declared 06/09/17	674.6
Distribution to subordinated creditors at 77.44p/£, declared 06/09/17	19.4
Distribution to subordinated creditors at 22.56p/£, declared 14/04/18	5.6
Gross distribution to preferential, unsecured and subordinated creditors of Statutory Interest at 31.4%, declared 13/09/18	160.9
Gross distribution to Subordinated Affiliates of Statutory Interest at 33.6%, declared 12/03/21	146.5
Gross distribution to unsecured creditors of Statutory Interest at 68.6%, declared 13/04/21	47.8
Gross distribution to Subordinated Affiliates of Statutory Interest at 12.62%, declared 16/09/21	56.6

5. Funds are held in interest-bearing accounts.
6. Due to the effect of historic exchange rates on the brought forward amounts, the bank account balance shown in the Total in GBP column included in the table does not reflect the actual cash held at the end of the reporting period. The GBP equivalent of bank balances held on 14 March 2023 was c.£74.7m.

As stated in our previous report, the GBP equivalent of bank balances held on 14 September 2022 was c.£75.2m.

7. The table below shows the cash held in all bank accounts as at 14 September 2022.

Bank balances	GBP	EUR	USD	CHF	GBP Eqv
HSBC	1,429,385	0	551	0	1,429,385
Money Market Funds	73,280,474	0	0	0	73,280,474
Total cash held	74,709,859	0	551	0	74,710,313

8. Due to rounding any amounts which are reported at nil are represented by the symbol - and any amounts which are less than £50k are shown as 0.0.
9. Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or other members of a VAT group, or exclude monies which will be received in due course from these parties.
10. Figures in the table may not be perfectly cast due to rounding.
11. Brought forward amounts are as per the previous progress report. Movements in the period are converted using the Bank of England rates as at 14 March 2023:

1 GBP	:	1.2146 USD
1 GBP	:	1.1099 CHF

Funds have been held in different currencies in order to reduce the risk to the estate of exchange rate fluctuations when settling non-GBP liabilities (for example, legal fees payable in USD). The majority of estate funds are now held in GBP.

Section 9: Statement of Expenses

Expenses are amounts properly payable by the Administrators from the estate, but excludes our fees and distributions to creditors. These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. Expenses fall into two categories:

Expense	SIP9 definition
Category 1	Payments to persons providing the service to which the expense relates who are not an associate of the office holder.
Category 2	Payments to our firm or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates).

Approval from creditors is not required to draw Category 1 expenses as these have all been provided by third parties, but approval is required to draw Category 2 expenses. The body of creditors who approve the Administrators' fees (in this case the Committee) also have the responsibility for agreeing the policies for payment of Category 2 expenses.

Description	Cat. 1 (£)	Cat. 2 (£)	
IT/Licence costs	104.00	-	This table provides a breakdown of the Category 2 expenses that have been incurred in the reporting period by the Administrators or their associates, together with details of the Category 1 expenses that have been incurred by PwC and will be recharged to the case. Details of the expenses classed as 'Payments to Associates' can be found in Section 4. The table excludes any potential tax liabilities payable as an expense because amounts becoming due will depend on the position at the end of the tax accounting period.
Payments to Associates	-	-	
Total	86.00	-	

The following table provides details of the expenses incurred in the Administration. The table should be read in conjunction with the receipts and payments account at Section 8, which shows expenses paid during the period and the total paid to 14 March 2023.

R&P category	Notes	Paid in previous periods (£m)	Paid in period (£m)	Incurred in period but not paid (£m)	Cumulative (£m)	Estimated future (£m)	Estimated total (£m)
Building and occupancy costs		219.8	-	-	219.8	-	219.8
Payroll and employee costs		551.5	-	-	551.5	-	551.5
Return of recharge surplus		2.4	-	-	2.4	-	2.4
Other costs and payments		75.4	0.0	-	75.4	0.1	75.5
Other advisors' costs	1	1.3	-	-	1.3	Materially uncertain	Materially uncertain
Legal fees	1	49.1	0.0	Uncertain	49.1	Materially uncertain	Materially uncertain
Administrators' time costs	1,2	43.2	0.6	0.3	44.1	Materially uncertain	Materially uncertain
Administrators' disbursements	2	1.3	-	-	1.3	Materially uncertain	Materially uncertain
Total	3,4	944.1	0.6	0.3	945.0	Materially uncertain	Materially uncertain

1. These costs are highly contingent on the outcome of ongoing and prospective litigation, further information on which can be found at Section 2. As a result, it is not possible to provide a meaningful estimate of the total expense. Legal fees have been incurred during the reporting period, however, these costs have not yet been quantified and therefore are not accrued in this report.
2. The Administrators estimate that those costs not dependent (except in duration) upon the progression of issues subject to litigation and that are currently required to maintain the routine aspects of the Administration are c.£500k per annum.
3. Excludes VAT, which is partly recoverable.
4. Future expenses are uncertain but relate in part to an archiving agreement, the details of which are commercially sensitive. The bases of these costs have been approved by the Committee during the prior reporting period.