
Lehman Brothers Limited – In Administration

Joint Administrators' progress
report for the period 15 September
2017 to 14 March 2018

10 April 2018

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 19th progress report prepared by the Joint Administrators (the "Administrators") of Lehman Brothers Limited ("LBL" or the "Company").

This report provides an update on the work that the Administrators have undertaken, with particular focus on the progress between 15 September 2017 and 14 March 2018 (the "reporting period").

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 this Administration have included:

- Realise all assets of LBL, where value may exist;
- Provide ongoing employee and infrastructure support to the Lehman Brothers Group of companies (the "Group") that are in Administration 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 Creditors' Committee (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 27 meetings with the Committee. The next meeting is yet to be formally confirmed, but is planned to be held in June 2018.

Outcome for unsecured creditors

Creditors will recall that before the commencement of this reporting period the Administrators had paid:

- a dividend of 100p in the £ to former employees on admitted preferential claims (comprising claims for unpaid wages and holiday pay);

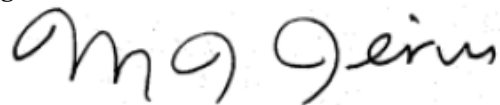
- two dividends totalling 100p in the £ on admitted ordinary unsecured claims; and
- a first interim dividend of 77.44p in the £ on admitted subordinated claims.

The Administrators expect to pay a second interim dividend of 22.56p in the £ to subordinated creditors shortly but are at present unable to estimate the likely timing or quantum of any payments in respect of post-Administration, statutory interest.

Future reports

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

Signed:



MJA Jervis
Joint Administrator
Lehman Brothers Limited

MJA Jervis and Z Hussain were appointed as Joint Administrators of Lehman Brothers Limited to manage its affairs, business and property as agents without personal liability. MJA Jervis and Z Hussain are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at:

<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.

Section 2 Joint 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.

Following the Administrators' appointment, LBL continued to provide services to the other UK based Lehman Brothers Companies that are in Administration (the "Lehman Administration Companies"). On 31 May 2013, the Administrators agreed with Lehman Brothers International (Europe) ("LBIE") and other Lehman Administration Companies to transfer to LBIE the then continuing services and the 400 retained employees.

Throughout the Administration the Administrators have utilised specialist teams from their firm PricewaterhouseCoopers LLP ("PwC"), who have worked with retained LBL and latterly LBIE employees to ensure that LBL's operations are properly coordinated and the objectives of the Administration are met.

As at the date of the Administration, LBL's primary assets included inter-company receivables, tax refunds, IT assets and fixtures & fittings. The management and realisation of these assets have been undertaken by separate workstream teams (e.g. the Intercompany team) to maximise the outcome for LBL's creditors as a whole. In the period, teams have been assembled as necessary to support the Waterfall litigation process.

Key progress from 15 September 2017 to 14 March 2018 includes:

- Judgment of the Court of Appeal in the Waterfall II proceedings;
- Continued adjudication of claims of ordinary unsecured creditors and payment of further catch-up dividends of £63k and the re-issue of returned dividends of £2.1m;
- Continued pursuit and recovery of amounts due to LBL from other Group companies, including a review of the ranking of subordinated debt in Lehman Brothers Intermediate Holdings 2 Ltd ("LBHI2"), which may materially impact realisations in LBL's major debtor, Lehman Brothers Holdings Plc ("LBH Plc"); and
- Finalising the LBL pension position with the pension Trustee.

Receipts and payments account

The receipts and payments account at Section 7 shows cash held increasing by £4.4m to £142.1m in the reporting period. Key movements include:

- Intercompany debtor recoveries of c. £4.5m;
- VAT of c.£8m recovered in LBL's capacity as the representative member of the VAT group;
- Accounting to other Lehman Administration Companies for VAT refunds of c. £4m; and
- Payment for Lehman Administration Companies tax losses of c. £2.4m.

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 creditors.

Statement of expenses

A statement of expenses incurred in the reporting period and an estimate of future expenses is set out at Section 8.

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. These included 289 debtor and creditor balances between LBL and the rest of the Group, representing at book value £1.2bn of receivables and £0.7bn of payables. Of these, c. £1.1bn (>90%) of receivables relate to five relationships. In addition, LBL held guarantees from Lehman Brothers Holdings Inc (“LBHI”) in respect of claims against some other Group companies.

As a service company, LBL recharged to other Group companies the costs it incurred in the provision of services. In excess of 95% of such costs were charged to either LBIE or Lehman Brothers Europe Limited (“LBEL”).

Progress

The Intercompany team has continued to make progress in the agreement and recovery of a number of significant receivable balances such that these amounts can ultimately be made available to LBL’s unsecured creditors.

As you may recall from the previous report, the Waterfall III settlement provided that the final account balance between LBL and LBIE, and LBL and LBEL, were to be agreed at nil and £282.2m respectively.

To date LBEL has paid dividends of 100p in the £ to its unsecured creditors, whose claims have been admitted, and following the Waterfall III settlement, has paid both statutory interest to its creditors and a surplus to its shareholder, LBH Plc.

LBL is the largest creditor of LBH Plc by value, with an admitted claim of £709m. As previously advised, as part of the Waterfall III settlement, LBH Plc declared a further interim dividend to its creditors, including LBL, which received £446.4m. This brought the total amount it has paid to date to 69.04p in the £.

Material developments in the period include:

- 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. Distributions of \$6.1m were received in the reporting period. The total recovery from these claims remains uncertain with the

most recent distribution during the reporting period received on 7 December 2017. A further receipt of \$1.4m was received following the end of the reporting period, this is not included in the receipts and payments account at Section 7 as this was received on 6 April 2018;

- £500k was received from the estate of Lehman Brothers Japan by way of a sixteenth interim distribution; and
- A number of smaller recoveries have been received from group companies in a variety of jurisdictions, and further recoveries are anticipated.

The Intercompany team continues to proactively progress approximately 20 other Group balances where there remains a reasonable prospect of future realisations.

The claim in LBHI is in the form of a guarantee of the liabilities to LBL of the claims of certain other Lehman Brothers companies, including LBH Plc. The allowed claim is subject to a “clawback” arrangement, such that LBL would not recover in aggregate more than the value of its claims in the guaranteed entities. It is agreed that the clawback mechanism has not yet been triggered. Depending on future realisations in LBL, it may be necessary to engage with LBHI to agree the level of recoveries at which the clawback will operate.

2.2 Waterfall proceedings

The “Waterfall” proceedings generally relate to the quantum and ranking of claims in the estates of a number of the UK Lehman companies.

The Waterfall I application concluded on 17 May 2017, on which day the Supreme Court handed down judgment.

As previously reported, LBL was successful in four of five issues, the fifth having no economic significance as a consequence of the effect of the other issues.

Also as previously reported, the Waterfall I judgment formed the basis of a settlement of the Waterfall III proceedings, implemented in September 2017 and as a consequence of which LBL has paid a dividend of 100p in the £ on admitted claims to its ordinary unsecured creditors.

“Waterfall II” application

The Administrators of LBIE made another application to the Court (the “Waterfall II” application) for directions in relation to a number of questions relating principally to the nature and quantum of LBIE’s liabilities.

The issues have been separated into three parts and a separate procedural timetable and trial for each part was agreed. The Administrators of LBL closely monitored the Waterfall II proceedings to ensure all reasonable arguments favourable to LBL’s position were made to the Court, reserving the right to apply to be heard if it appeared arguments that ought to be made were not being made.

Following a decision of the Court of Appeal in October 2017 we understand the parties, principally LBIE and certain of its creditors, have agreed to discontinue the Waterfall II proceedings as part of a broader settlement which it is contemplated will enable LBIE to distribute a large part of the surplus funds which it currently holds. The settlement is understood to remain subject to final ratification.

Subordinated claims in LBHI2

LBL is the major unsecured creditor of LBH Plc, with a claim for £709m (approximately 67% of all non-subordinated unsecured claims in LBH Plc). To date, LBH Plc has paid dividends of 69.04p in the £.

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

It is anticipated that the LBIE settlement described above may result in LBHI2 receiving material additional funds in due course, such that it would be

in a position to pay distributions to its creditors with subordinated claims.

In addition to the subordinated claim from LBH Plc described above, there is another material subordinated liability in LBHI2. It is unclear whether the two subordinated claims rank equally (*pari passu*), or if one or the other ranks first. The answer to that question is likely to have a material impact on realisations in LBH Plc and in turn, in LBL as the major unsecured creditor of LBH Plc.

The Administrators of LBHI2 have issued an application to the High Court for directions in relation to the ranking of the two subordinated claims. There is a similar issue in LBH Plc, and the Administrators of LBH Plc have likewise issued an application to the Court for directions. LBL’s claim in LBH Plc is senior to the subordinated claims in LBH Plc and hence that application is not relevant to LBL.

In the course of the Waterfall III litigation, a very large number of documents were extracted from the Lehman archives and assembled into searchable form. This material included documents potentially relevant to the ranking of subordinated claims in LBHI2. Accordingly arrangements were made for the documents to be made available and searched, using specialist forensic resources.

The Administrators have engaged extensively with solicitors and Counsel to ascertain how best to approach the application for directions, the principle objective being to ensure that all arguments that could be made in favour of LBL’s position were made to the Court.

The Administrators have also engaged with the Administrators of LBH Plc and LBHI2, and also with LBHI which has a material financial interest in the outcome of the subordination questions.

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 creditors

Creditors are also aware from previous reports that the following interim dividends have been paid to ordinary unsecured creditors whose claims have been admitted:

- a first interim dividend of 1.66p in the £ was declared and paid in December 2014; and
- a second interim dividend of 98.34p in the £ was declared and paid in September 2017.

Following the payment of dividends totalling 100p in the £ to ordinary unsecured creditors, a first interim dividend of 77.44p in the £ was declared and paid to subordinated creditors.

Claims agreement

Unsecured claims as at 14 March 2018 can be summarised as follows*:

	£m
Received	214.4
Less: Admitted	(181.0)
Less: Rejected	(16.0)
Balance under review	17.4

* Excludes claims from LBIE, LBEL and LBHI2 impacted by the outcome of Waterfall III. These claims have been agreed at nil, £282.2m and £257.2m respectively.

Any creditor who has yet to submit their claim should do so as soon as possible. Further information is available at:

<http://www.pwc.co.uk/services/business-recovery/administrations/lehman/lbl-in-administration.html>

Claims and supporting documentation can be submitted via email to lbl.enquiries@uk.pwc.com

Claims under review

Work has continued to review 11 claims totalling £17.4m. The Administrators expect to have adjudicated the majority of the remaining claims shortly.

Employee claims

The Administrators have continued to correspond with a small number of former employees regarding the adjudication of their claims.

The Administrators have also written to nine former employees with outstanding Employment Tribunal ('ET') claims who have not responded to previous correspondence, requesting that these are withdrawn and substituted with a claim in the Administration where appropriate.

One former employee subsequently withdrew their claim and another has claimed in the Administration. The remaining seven former employees have not responded and so the Administrators are following legal advice in applying to strike out these ET claims.

Catch up dividends

It is the Administrators' policy to make periodic catch up dividend payments to creditors when further claims are agreed. During the reporting period, further catch-up dividends of £63k have been paid, along with re-issued dividends of £2.1m. The level of newly adjudicated claims will be kept under review and further catch up dividends paid at such a time as it is economically viable to do so.

Claim reserves and dividend prospects

The Administrators continue to reserve for claims not yet finalised. Reserves previously held in respect of intercompany claims from LBIE, LBEL and LBHI2 have been released following agreement of those claims in the Waterfall III settlement.

The quantum and timing of any payments in respect of post-Administration, statutory interest are currently uncertain and will depend on progress in addressing claims reserved for, payment of the balance of claims of subordinated creditors and additional realisations principally from LBL's claim in LBH Plc.

Issues and priorities

The Administrators' priorities in relation to creditor claims for the next six months are to continue to review and adjudicate outstanding unsecured claims, including dealing with any new claims received, and pay catch up dividends on agreed claims.

2.4 Tax planning and compliance

Overview

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 VAT group and coordinates the historic Group loss allocation for corporation tax purposes.

Progress

Specific progress in the reporting period includes:

Corporation Tax

- Finalising and submission of the 2016 tax return.
- Providing tax advice and support in relation to the Waterfall III application.
- Compliance with the Administrators' responsibilities under Senior Accounting Officer ("SAO") legislation.
- Adherence to the UK and US Foreign Account Tax Compliance Act ("FATCA") and Common Reporting Standards ("CRS").

VAT

- All group VAT returns have been submitted up to, and including, the quarter ended November 2017.
- Since the last report to creditors, LBL has received repayments from HMRC for the May 2017, August 2017 and November 2017 quarters totalling c. £7.5m. LBL has also received c. £0.5m as VAT group representative from other VAT group members to meet their respective VAT liabilities.

PAYE and other employment taxes

- The Trustees have contacted the remaining five former Lehman employees who are beneficiaries to the Lehman Brothers Employment Benefit Trust ("EBT") in order to finalise open issues and pursue potential settlement of the EBT PAYE liabilities. None of the former employees have taken up the HMRC offer of settlement.
- Ongoing discussions with HMRC regarding the agreement of HMRC's unsecured claim, seeking

a way forward regarding closure of EBT and finalising the tax treatment of former employee dividend payments.

Future work

Over the next six months, the tax team's work will include:

- Finalising and submitting the corporate tax return to 31 May 2017 taking into account recent changes to tax legislation;
- Drafting the group relief agreement for 2016;
- Ongoing discussion with HMRC regarding the agreement of HMRC's unsecured claim, seeking a way forward regarding closure of EBT and finalising the tax treatment of former employee dividend payments;
- Complying with SAO, FATCA and CRS as required; and
- Preparation of the VAT returns for the quarters ending February 2018, May 2018 and August 2018.

Section 3 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - Case 7945 of 2008
<i>Full name:</i>	Lehman Brothers Limited
<i>Trading name:</i>	Lehman Brothers Limited
<i>Registered number:</i>	846922
<i>Registered address:</i>	7 More London Riverside, London, SE1 2RT
<i>Date of the Administration appointment:</i>	15 September 2008
<i>Administrators' names and addresses:</i>	MJA Jervis and Z Hussain, of PricewaterhouseCoopers LLP, 7 More London Riverside, SE1 2RT
<i>Changes in Administrator:</i>	Z Hussain replaced D Schwarzman, AV Lomas, S Pearson and G Parr on 1 June 2016
<i>Appointer's / applicants' name and address:</i>	High Court of Justice, Chancery Division, Companies Court on the application of the directors of the Company, 25 Bank Street, London, E14 5LE.
<i>Division of the Administrators' responsibilities:</i>	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.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted five successive extensions to the Administration to: 30 November 2011; 30 November 2013; 30 November 2014; 30 November 2016; and 30 November 2020.
<i>Estimated dividend for unsecured creditors:</i>	<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 interim dividend of 98.34p to ordinary unsecured creditors.</p> <p>Following the payment of dividends totalling 100p in the £ to ordinary unsecured creditors, a first interim dividend of 77.44p in the £ was declared and paid to subordinated creditors.</p> <p>The Administrators expect to pay a second interim dividend to subordinated creditors shortly but are at present unable to estimate the likely timing or quantum of any payments in respect of post-Administration, statutory interest.</p>

Section 4 Joint Administrators’ remuneration and other matters

Background

In this case, the Committee is responsible for agreeing the basis and quantum of the Administrators’ remuneration.

The Insolvency Rules (“IR16”)

There are three alternative fee bases under IR16, either or 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.
- As a set amount.

IR16 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 (“SIP9”)

In addition to IR16, 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 December 2015, Section 5 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:

<http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx>

A copy, free of charge, can be obtained from the Administrators.

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 2018, the Administrators have drawn fees of £35.3m, including £0.9m 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 7. During the reporting period, the Administrators drew fees of £1.1m on account of their time costs.

The time cost charges incurred in the period 1 September 2017 and 28 February 2018 are £1.11m. An analysis of the total hours and cost incurred by grade of staff can be found at Section 5.

Hourly rates

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:

<i>Grade</i>	<i>Min Rate (£)</i>	<i>Max Rate (£)</i>
Partner	812	1,145
Director	712	1,092
Senior Manager	307	969
Manager	292	657
Senior Associate	137	433
Associate	65	245

Payments to associates

No work by associates has taken place during the reporting period.

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 6. The Administrators are satisfied that the level of legal and professional costs are appropriate.

Disbursements

The Administrators do not need approval to draw expenses or disbursements unless they are for shared or allocated services provided by their own firm, including room hire, document storage, photocopying, communication facilities. These "Category 2" disbursements must be directly incurred on the case, subject to a reasonable method

of calculation and allocation and approved by the same party who approves their fees.

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

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

The following disbursements were incurred in the reporting period:

<i>Description</i>	<i>Category 1 (£)</i>	<i>Category 2 (£)</i>
Reimbursement of staff expenses	489	-
Posting and Printing	250	-
IT/ Licence costs		31,438
Total	739	31,438

Section 5 Analysis of the Joint Administrators' time costs

The table below summarises time spent by the Administrators and their staff in the six month period from 1 September 2017 to 28 February 2018.

Reporting Category	Partner		Director		Senior Manager		Manager		Senior Associate		Associate		Total	
	Hours	Cost £	Hours	Cost £	Hours	Cost £	Hours	Cost £	Hours	Cost £	Hours	Cost £	Hours	Cost £
Accounting and Treasury	9	7,308	-	-	38	20,879	57	26,519	163	51,041	72	16,183	339	121,930
Employee and creditor claims	-	-	-	-	190	95,680	188	66,501	75	22,960	218	38,093	671	223,234
Intercompany	-	-	1	498	61	33,647	15	6,930	-	-	15	2,605	92	43,680
Litigation	97	91,069	-	-	110	60,065	181	70,744	-	-	56	9,680	444	231,558
Statutory and Compliance	3	2,100	-	-	108	59,020	2	785	4	1,028	113	24,674	230	87,607
Strategy and Planning	-	-	-	-	184	100,996	-	-	-	-	-	-	184	100,996
Tax & VAT	28	33,348	99	103,235	96	58,190	109	68,050	74	26,819	80	16,305	486	305,947
Total	137	133,825	100	103,733	787	428,477	552	239,529	316	101,848	554	107,540	2,446	1,114,952

Average rate (£/Hour)

977

1037

544

434

322

194

456

Summary of time costs incurred to 28 February 2018

	Cost £
Cumulative time costs to 31 August 2017	33,502,629
Time costs incurred in the period 1 September 2017 to 28 February 2018	1,114,952
Total	34,617,581

Examples of work undertaken in the six month period to 14 March 2018, broken down by category are as follows:

Strategy and planning – £101k

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;
- Oversight of the claims adjudication process;
- Directing LBL's engagement in the Waterfall II application for directions;
- Assessing the ranking of subordinated debt in LBHI2, the impact on LBH Plc (of which LBL is the major creditor) and considering with solicitors how LBL should engage in anticipated applications to Court for directions as regards the ranking;
- Interactions with LBIE's Administrators in relation to the pension claim, recharges and the contribution claim;
- Coordinating, directing and resourcing workstream activities;
- Oversight of reporting and accounting, including periodic meetings to monitor progress; and
- Oversight of funds management and investment strategy.

Statutory and compliance – £88k

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

- Preparing and reporting to the Committee at the meeting held on 8 December 2017;
- Preparing and issuing of October 2017 progress report to creditors;
- Six monthly review of case progress;
- Other statutory filings at Companies House and Court;
- Recording, monitoring and reporting of time spent by Administration case staff; and
- Reviewing and approving legal and other third party costs and invoices.

Accounting and treasury – £122k

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:

- 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 Administrators' expenses;
- Periodic audit of treasury processes and procedures;

- Adherence to the UK and US FATCA and CRS;
- 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;
- Foreign exchange transfers on receipt of material foreign currency balances; and
- Facilitating payments of catch-up and reissued dividends.

Tax and VAT – £306k

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;
- Distribution of VAT receipts received as Representative Member to other Lehman estates and collecting VAT contributions;
- Preparation of accounting information to support tax computations;
- Preparation and submission of tax returns including the impact of proposed changes to tax legislation;
- Administration of group tax losses to 31 May 2016;
- Liaising with HMRC regarding settlement of pre and post Administration PAYE liability;

- Discussions with HMRC concerning agreement of ITMAR/forgivable loan position going forward;
- Submission of monthly RTI returns for former employee dividend payments and tax adjustments;
- Tax input on review of unsecured claims where required;
- Audit of VAT and tax returns, implementation and monitoring of risk and quality metrics;
- Consideration of impact on the Company of changes to UK tax legislation, including loss restriction rules and interest deductibility;
- Providing tax advice in relation to the potential deduction of income tax at source in the event statutory interest payments are made to creditors;
- Compliance with various reporting obligations including tax strategy and corporate criminal offence legislation; and
- Providing tax advice and support on the appropriate tax treatment on the second interim distribution to former employees including continued correspondence and discussions with HMRC.

For further information see Section 2.4.

Intercompany – £44k

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

Litigation – £232k

LBL is the major unsecured creditor of LBH Plc, with a claim for £709m. To date, LBH Plc has paid dividends of 69.04 p in the £.

LBH plc has a number of assets which it has yet to realise, however the largest is a subordinated claim in LBHI2.

It is anticipated that LBHI2 may receive material additional funds in due course and be in a position to pay distributions to its creditors with subordinated claims. In addition to the subordinated claim from LBH Plc described above, there is another material subordinated liability in LBHI2. It is unclear whether the two subordinated claims rank equally (*pari passu*), or if one or the other ranks first. The answer to that question is likely to have a material impact on realisations in LBH Plc and in turn, in LBL as the major unsecured creditor of LBH Plc.

In the course of the Waterfall III litigation, a very large number of documents were extracted from the Lehman archives and assembled into a searchable form. This material included documents potentially relevant to the ranking of subordinated claims in LBHI2. Accordingly arrangements were made for the documents to be made available and searched.

The Administrators have engaged extensively with solicitors and Counsel to ascertain how best to approach the application for directions, the principle objective being to ensure that all arguments that could be made in favour of LBL's position were made to the Court.

The Administrators have also engaged with the Administrators of LBH Plc and LBHI2, and also with LBHI which has a material financial interest.

Employee and creditor claims – £223k

General supplier creditor claims

- Adjudication of supplier claims and corresponding with creditors to obtain further information;
- Obtaining and verifying revised bank account details from creditors;
- Re-issue of returned dividends to creditors;
- Ongoing legal advice in respect of complex supplier claims;

- Dealing with a number of queries from claims aggregators and creditors who have assigned their claims; and
- Updating creditor contact details as notified.

Employee claims

- Obtaining and verifying revised bank account details from employee creditors;
- Calculating and paying of catch up dividends to employee creditors;
- Re-issue of returned dividends to employee creditors;
- Continued work to review and adjudicate former employees' claims;
- Ongoing engagement with employee creditors to resolve outstanding employment tribunal claims and discussions with lawyers to agree strategy to deal with these claims; and
- Updating employee creditor contact details as notified.

See Section 2.3 for further information on the above workstreams.

Section 6 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"> Local advice on overseas asset realisations. Litigation advice and considerable input on matters including those central to the “Waterfall” proceedings. Legal input into the claims adjudication process where required. Advice on other ad-hoc matters. 	<ul style="list-style-type: none"> Buis Burgi AG Dechert LLP DLA Piper UK LLP Linklaters LLP 	<ul style="list-style-type: none"> Specialist knowledge and experience (in overseas jurisdictions, where applicable) 	<ul style="list-style-type: none"> Time cost basis. Time cost analyses are reviewed and approved prior to payment of invoices.

Section 7 Receipts and payments to 14 March 2018

	As at 14 Mar 2018		As at 14 Sep 2017			
	GBP	EUR	USD	CHF	Total in GBP	Movement
Amount in millions						
Receipts						
Contribution from third parties ¹	141.9	0.6	11.3	-	149.6	-
Building recharge receipts	130.3	-	-	-	130.3	-
Payroll recharge receipts	502.0	0.1	57.1	-	538.4	-
Other (including realisations and payments for other companies)	748.2	3.9	218.3	0.2	890.5	4.5
Tax related receipts	719.9	-	-	-	719.9	8.0
VAT received on invoices	7.2	-	-	-	7.2	-
Total receipts for period	2,249.5	4.6	286.7	0.2	2,435.9	2,423.4
Payments						
Building and occupancy cost	(179.5)	(0.3)	(62.9)	-	(219.8)	-
Payroll and employee costs ²	(520.4)	(2.8)	(45.2)	-	(551.5)	-
Return of recharge surplus	(2.4)	-	-	-	(2.4)	-
Other costs and payments	(69.5)	(0.3)	(1.2)	-	(70.5)	-
Other advisors' costs	(1.3)	-	(0.1)	-	(1.3)	-
Legal fees	(35.2)	-	(0.1)	-	(35.3)	(0.9)
Administrators' fees ³	(35.3)	-	-	-	(35.3)	(1.1)
Return of Corporation Tax to group companies	(469.1)	-	-	-	(469.1)	(2.4)
VAT related payments	(196.6)	-	-	-	(196.6)	(4.0)
VAT paid on invoices	(14.5)	-	(1.4)	-	(15.4)	(0.4)
Intercompany transfer	(1.5)	-	-	-	(1.5)	-
Total payments for period	(1,525.3)	(3.4)	(110.8)	-	(1,598.7)	(8.8)
Inter-currency transfers						
Receipts from inter-currency transfers	148.8	2.7	57.8	-	187.8	4.9
Payments from inter-currency transfers	(31.1)	(3.9)	(233.2)	(0.2)	(182.9)	(4.1)
Net inter-currency transfers	117.7	(1.2)	(175.4)	(0.2)	4.9	0.8
Distributions						
Distribution to preferential creditors @ 100p/£ (declared 07/06/13)	(1.9)	-	-	-	(1.9)	-
Distribution to unsecured creditors @ 1.66p/£ (declared 15/12/14)	(11.3)	-	-	-	(11.3)	-
Distribution to unsecured creditors @ 98.34p/£ (declared 06/09/17)	(667.4)	-	-	-	(667.4)	(0.1)
Distribution to subordinated creditors @ 77.44p/£ (declared 06/09/17)	(19.4)	-	-	-	(19.4)	-
Total distributions	(700.0)	-	-	-	(700.0)	(0.1)
Net cash position	141.9	-	0.5	-	142.1	4.4
Bank balances						
Bank of England	-	-	-	-	-	-
HSBC ⁴	3.5	-	0.5	-	3.8	(1.6)
Money Market Funds	138.3	-	-	-	138.3	6.0
Net bank balance	141.8	-	0.5	-	142.1	4.4

Notes: Rates used for conversion are Financial Times rates fixed on 14 March 2012.

1 USD = 0.6366 GBP

2) Payroll cost attributable to LBL

3) Includes Administrators' disbursements of £0.9m

4) Funds held in interest bearing accounts

Section 8 Statement of expenses

The following table provides details of Administration expenses. Expenses are amounts properly payable by the Administrators from the estate including fees, but excluding distributions to creditors. The table also excludes any potential tax liabilities payable as an Administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Section 7, which shows expenses paid during the period and the total paid to date.

R&P category	Paid in previous periods (£m)	Paid in period (£m)	Incurred in period but not paid (£m)	Cumulative (£m)	Estimated future (£m) ¹	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	70.5	-	-	70.5	5.0	75.5
Other advisors' costs ²	1.3	-	-	1.3	Materially uncertain	Materially uncertain
Legal fees ²	34.4	0.9	0.3	35.6	Materially uncertain	Materially uncertain
Administrators' time costs ^{2,3}	33.3	1.1	0.2	34.6	Materially uncertain	Materially uncertain
Administrators' disbursements ²	0.9	-	0.1	1.0	Materially uncertain	Materially uncertain
Total	914.1	2.0	0.6	916.7	Materially uncertain	Materially uncertain

Notes:

- 1) Relates only to LBL costs. No provision has been made for costs borne by LBL and recharged to other Lehman estates.
- 2) 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.
- 3) 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.
- 4) Excludes VAT, which is partly recoverable.

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