

Joint administrators' progress report from 15 September 2021 to 14 March 2022

Lehman Brothers Holdings plc
(in administration)

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

13 April 2022

Table of contents

Abbreviations and definitions	3
Section 1: Introduction	4
Section 2: Progress during the reporting period	7
Section 3: Financial position	10
Section 4: Other matters	12
Appendix A: Receipts and payments	14
Appendix B: Expenses	16
Appendix C: Remuneration update	17
Appendix D: Estimate of future time costs	23
Appendix E: Other information	24

Abbreviations and definitions

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

Abbreviation or definition	Meaning
Company / LBH	Lehman Brothers Holdings plc
Administrators	EJ Macnamara, GE Bruce and DJ Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
Firm	PricewaterhouseCoopers LLP
IR16	Insolvency (England and Wales) Rules 2016
IA86	Insolvency Act 1986
HMRC	HM Revenue & Customs
Reporting Period	The period from 15 September 2021 to 14 March 2022

This report has been prepared by EJ Macnamara, GE Bruce and DJ Kelly as Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under the Insolvency (England and Wales) Rules 2016 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 the Insolvency (England and Wales) Rules 2016 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Administrators' previous reports issued to the Company's creditors, which can be found at: <https://www.pwc.co.uk/services/businessrecovery/administrations/non-lbiecompanies/lbh-plc-in-administration.html>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

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

The Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Administrators. Personal data will be kept secure and processed only for matters relating to the Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Administrators.

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

Section 1: Introduction

This report has been prepared by the Administrators of Lehman Brothers Holdings plc, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016.

This is the twenty-seventh progress report to the unsubordinated and subordinated, unsecured creditors of LBH and it provides details of the progress made in the Reporting Period. The statutory receipts and payments account for the Reporting Period is attached at Appendix A.

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

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

Creditors may also find it helpful to review the documents filed by Lehman Brothers International (Europe) (in administration) (“**LBIE**”), Lehman Brothers Limited (in administration) (“**LBL**”) and LB Holdings Intermediate 2 Limited (in administration) (“**LBHI2**”). These may be found respectively at:

<https://www.pwc.co.uk/services/business-restructuring/administrations/lehman.html>

and

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

and

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

Objective of the Administration

The Administrators continue to pursue the statutory objective of achieving a better result for the Company’s creditors than would be likely in a winding up.

Issues determining the outcome for LBH’s creditors

All unsubordinated, unsecured creditors have had their admitted claims paid in full, and have been paid £351.1m of their entitlements to post-administration statutory interest, which is approximately 44.6% of their total post-administration statutory interest entitlements. Further statutory interest totalling £442.9m will need to be paid before any distributions to subordinated creditors may commence.

Claims have been received in respect of three types of subordinated debt: from Lehman Brothers Holdings Inc. (“**LBHI**”), from LB GP No.1 Limited (in liquidation) (“**LBGP**”), and from individual investors in partnerships managed by LBGP (the “**Partnerships**”) under guarantees. The claims from LBHI and LBGP total £1,690m before the application of any discounting of future sums due, or £1,227m after applying a discount on the LBGP claim, in line with the first instance judgment in the Priority Application. No payments towards subordinated debt have been made to date.

It has been acknowledged and confirmed in the Priority Application (defined below) that any subordinated debt due to investors in the Partnerships under any guarantees ranks for payment below that due to LBHI and LBGP. The ranking between LBHI and LBGP remains subject to further court determination, as detailed below.

LBH’s ability to make further payments of statutory interest, and payments to subordinated creditors, continues to be dependent on a number of material factors, the key ones being:

- the quantum of further payments to LBHI2 from LBIE, and the proportion of such payments retained by LBHI2 under the Wentworth Joint Venture (“**WW**”) sharing agreement;
- the outcome of the subordinated debt litigation (“**Priority Application**”) being pursued by LBH in the LBHI2 estate; and
- the duration, future costs and priority expenses of the LBH, LBIE, LBHI2 and LBL administrations.

The Priority Application, as it relates to LBH, will also determine the basis upon which LBH’s subordinated creditors will share in any funds available at LBH for distribution to them.

Further comment on these issues is provided in section 2.

Creditors’ committee

The creditors’ committee (“**the Committee**”) is comprised of: LBHI, LBIE, LBL, LBGP, and Lehman Brothers Securities Asia Limited (in liquidation). We have met with the Committee on ten occasions, the most recent being after the end of the reporting period, on 31 March 2022.

Change of Administrators

Upon an application to the High Court of Justice (the “**Court**”), an order (the “**Order**”) was made on 16 November 2021 that, with effect from 30 November 2021, DA Howell and R Downs each ceased to be an Administrator of the Company. The Court also ordered that DA Howell and R Downs shall be released from all liability (pursuant to the relevant sections of the Insolvency Act 1986 and/ or the 2016 Insolvency Rules) in respect of their acts and omissions and otherwise in respect of their conduct as Administrators of the Company and that such release shall take effect 28 days after notification of the Order in the London Gazette. The Court gave permission for any creditor of the Company to apply to vary or discharge the Order by making an application within 28 days of notification of the Order in the London Gazette. The Order was notified in the London Gazette on 30 November 2021. No creditor of the Company has applied to vary or discharge the Order.

Next steps and future reports

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

In the interim, we will provide ad hoc updates in the event of any material developments, through the LBH website or by other means as appropriate.

Signed:

A handwritten signature in black ink, appearing to read 'EJ Macnamara', written in a cursive style.

EJ Macnamara
Joint Administrator
Lehman Brothers Holdings plc

Section 2: Progress during the reporting period

Key value drivers

LBIE and LBHI2

As mentioned above, the final outcome in the LBIE estate has a key impact on the outcome for LBH's creditors through LBH's interests in LBHI2 (after LBHI2's sharing arrangements with WW have been taken into account).

The first instance ruling in the Priority Application, subsequently upheld by the Court of Appeal, renders LBH as LBHI2's priority, subordinated creditor, ranking in priority to Lehman Brothers Holdings Scottish LP3 ("**SLP3**") the other subordinated creditor of LBHI2. To date, LBHI2 has received from LBIE equity distributions totalling £337.0m, of which it has retained £168.5m under the WW sharing arrangements.

The Priority Application

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

During the week commencing 4 October 2021, the Court of Appeal heard the appeal in the Priority Application and on 20 October 2021 the Court of Appeal handed down its Judgment ("**The Priority Application Court of Appeal Judgment**"), upholding the decision that LBH's subordinated debt claim against LBHI2 ranks senior to that of SLP3.

On 17 November 2021 SLP3 applied to the Supreme Court for permission to appeal the Priority Application Court of Appeal Judgment. The Supreme Court's decision on whether to give permission to appeal is awaited.

Copies of the judgments and orders of the High Court and the Court of Appeal, together with summaries of them, as well as details of SLP3's application to the Supreme Court for permission to appeal and LBH's objections to that application, can all be found on the Administrators' website at the address below:

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

The Administrators will add further updates to the website as and when there are material developments to report.

It may be recalled that the Administrators have notified LBHI2 of an increase in LBH's unsecured, subordinated claim against LBHI2 by \$961m, such that it is now £1,852.8m, which comprises a total claim US\$3,186.0m less £337.1m which has been paid to LBH to date. At the current time, the claim has been admitted by LBHI2 only to the extent of the £337.1m which has been paid.

Lehman Brothers Limited

The Company has an entitlement to post-administration statutory interest on a claim against LBL that was assigned to the Company in 2019 by Lehman Brothers Europe Limited (now dissolved), the principal element of the claim having previously been paid in full. In total, approximately 77.6% of the post-administration statutory interest entitlement in relation to this claim has been paid to date.

Creditors

Unsubordinated

The unsubordinated creditors of the Company have been paid a total of £351.1m of their statutory interest entitlements, which is approximately 44.6% of their total post-administration statutory interest entitlements. Further statutory interest totalling £442.9m will need to be paid before any distributions to subordinated creditors may be made. No payments towards subordinated debt have been made to date.

Subordinated

In July 2020 the High Court found that, among other things, the subordinated claims of LBHI and LBGP rank pari passu.

However, the Priority Application Court of Appeal Judgment handed down on 20 October 2021 overturned the High Court decision in this respect, and LBGP's claim presently ranks ahead of that of LBHI. On 17 November 2021, LBHI applied to the Supreme Court for permission to appeal the Priority Application Court of Appeal Judgment. The Supreme Court's decision on whether to give permission to appeal is awaited. Copies of the judgments and orders of the High Court and the Court of Appeal, together with summaries of them, as well as details of LBHI's application to the Supreme Court for permission to appeal can all be found on the Administrators' website at the address below:

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

Estimated Outcomes

We currently estimate that in the Base Case scenario, c.£109m (High Case of c.£259m) of further funds will be retained by LBHI2 from distributions by LBIE. We assume that this is subsequently distributed by LBHI2 to LBH, net of costs and reserves, and apply an assumption that the first instance ruling in the Priority Application as regards priority of subordinated claims in LBHI2, subsequently upheld by the Court of Appeal, is not overturned.

Based on the above, and on certain other current projections and assumptions, on 13 April 2022 the Administrators prepared an assessment of the potential economic outcomes for LBH's creditors. This is available on the Administrators' website with an extract being provided in Section 3 of this progress report.

In summary, applying an assumption that the current judgment in the Priority Application is not overturned and based on certain other predictions and assumptions, we would anticipate that:

- LBH would be able to pay all of its unsecured, unsubordinated creditors' remaining statutory interest entitlements in full; and
- LBH would be in a position to make payments to its subordinated creditors but that it would be unable to pay its subordinated creditors in full and there would be no payments to individual investors in the Partnerships under any guarantee provided by the Company.

We note that, in the alternative, applying an assumption that the current judgment in the Priority Application as regards priority of subordinated claims in LBHI2 is overturned, then we would anticipate that LBH would not be able to pay all of its unsecured, unsubordinated creditors' remaining statutory interest entitlements in full, and consequently that there would be no distributions to subordinated creditors.

Many of LBIE's unresolved issues remain subject to litigation. This, along with the Priority Application, continues to create uncertainty as to the final outcome and indeed as to the timing of receipt of any such recoveries. We continue to closely monitor developments.

Other activities

During the Reporting Period, LBH received de minimis distributions from its claims and interests in a number of Lehman estates, including LBHI, Lehman Brothers (PTG) Limited (in administration), Thayer Properties Limited (in liquidation) and Lehman Brothers (Indonesia) (formerly in liquidation).

Section 3: Financial position

For completeness we include here an extract of the estimated financial outcomes announcement that was published on the Administrators' website on 13 April 2022:

Estimated outcome for LBH subordinated creditors	Base Case £m	High Case £m
Recoveries for subordinated creditors	219	403
Distributions to subordinated creditors*		
LBGP subordinated claim (a conduit for the ECAP holders)	219	397
LBHI subordinated claim	0	6

* Return on LBGP subordinated claim assumed to include statutory interest. No return shown for individual investors in the Partnerships under any guarantee provided by the Company, any such claim being subordinated to the LBHI subordinated claim and the LBH Sub-Notes claim.

Distributions to LBH's subordinated creditors relate to:

(i) LBGP's Sub-Notes claim (a conduit for investors in the Partnerships) of c.£631m (which, in line with the first instance judgment in the Priority Application, has been discounted to c.£168m) and statutory interest which has accrued, and continues to accrue, on that claim. For the purpose of this illustration LBGP No 1's statutory interest entitlement is calculated on the discounted claim, is assumed to rank in priority ahead of LBHI's subordinated debt claim and is assumed to accrue for 17 years from the date LBH entered into administration.

(ii) LBHI's subordinated debt claim of c.£1,059m, subject to partial discharge following the Priority Application Court of Appeal Judgment.

In these circumstances no recoveries should be expected by stakeholders whose interests are junior to the claims of LBGP and LBHI.

Assumptions

The Administrators believe that these estimated outcomes are a fair representation, on the basis of certain assumptions and the information currently available to them as administrators, of the range of likely financial outcomes for LBH's stakeholders.

The assumptions supporting these estimated outcomes include (but are not limited to):

- the current judgment in the Priority Application stands and is not overturned on appeal;
- the current remaining distributions from LBIE in the Base Case are anticipated to be £200m with £109m being retained by LBHI2 for onward distribution to LBH;
- this estimate excludes any recoveries from certain of LBIE's pending material litigation;
- certain assumptions relating to expense liabilities across the UK Lehman group;

- a recovery at the level indicated in the High Case is based on LBH's assumption of success in certain (but not all) litigation that LBIE is party to; and
- in order to achieve the High Case £403m outcome, there would need to be an additional £200m recovery at LBIE, as well as a reduced level of reserves being required by the UK Lehman estates in order to see the uplift in outcome for LBH's subordinated creditors (an improvement of c.£184m compared to the Base Case).

The Administrators make no comment about the likelihood of achieving such a High Case outcome. In order to assist interested parties, given there is insufficient information available to predict an ultimate outcome at LBIE, it is reasonable to assume that for every additional pound beyond the current prediction of future cash to be generated by LBIE (i.e. of £200m in the Base Case scenario) c.75% will be available to LBH12 and flow to the LBH subordinated creditors referenced above, assuming all the Base Case assumptions continue to apply.

The Administrators of LBH have made their own assumptions based on the information available to them in that capacity.

Section 4: Other matters

Tax

The normal HMRC enquiry window for the corporation tax return submitted up to the year ended 14 September 2019 has closed. The corporation tax return covering the accounting period to 14 September 2020 has been submitted to HMRC, and the return which covers the accounting period up to 14 September 2021 is currently being drafted.

The Administrators have met their obligations under the Senior Accounting Officer ("SAO") legislation and submitted the 2020 certificate and notification. They have complied with their obligations regarding the publication of the Lehman group Tax Strategy and adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards. The 2021 SAO certificate and notification is being drafted and we expect to submit this in Q3 2022

Our receipts and payments account

An account of the receipts and payments for the six months to 14 March 2022, together with a cumulative total since the beginning of the Administration, is in Appendix A.

Our remuneration and expenses

Statement of Insolvency Practice number 9 ("**SIP9**"), issued by the Institute of Chartered Accountants in England and Wales, was revised with effect from 1 April 2021 and applies to all open insolvency cases. SIP9 details the disclosure standards required by insolvency office holders in respect of fees, expenses and payments to associates. In addition, the revised SIP 9 requires, amongst other things, that payments from an insolvency estate of any element of costs that are shared, or payments being made to an associate, must be approved by the company's fee approving body. These are known as "**Category 2 expenses**".

We set out in Appendix B a statement of the expenses we have incurred during the Reporting Period and an estimate of our future expenses. The information in the expenses statement should be read together with the receipts and payments account in Appendix A, which shows expenses actually paid during the Reporting Period but excludes those incurred which have not yet been paid.

The Administrators acknowledge that the provisions of the revised SIP9 apply to this insolvency, although given the uncertainty surrounding the eventual resolution and outcome of the Priority Application and of the other matters described in this report, it remains difficult to provide a meaningful estimate of our future time costs. Whilst an estimate of future time costs is provided in Appendix D, the Administrators caution that actual future costs will be considerably impacted by the progress of, among other matters, the Priority Application. The estimate we have provided assumes that this litigation will result in the Administration lasting for a further 36 months, which would be beyond the time by when the Administration is currently due to come to an end. In order for the Administration to continue for another 36 months, it would accordingly be necessary for the Court to grant at least one further extension to the term of the Administration.

The eventual future time costs may be expected to be materially different from those provided in the estimate.

The Committee is responsible for approving the basis and amount of the Administrators' remuneration. The Committee has resolved that the Administrators' remuneration be fixed by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration.

In accordance with SIP9, the following information has been provided in Appendix C:

1. an analysis of the Administrators' time costs for the period 1 September 2021 to 28 February 2022, including the cumulative total time costs from the date of the Administrators' appointment to 28 February 2022; and
2. a summary of the Administrators' time costs for the Reporting Period, including the key categories of work, further information on the work undertaken, a description of why the work was necessary, how the work benefits creditors and whether it was required by statute.

In line with the Committee's approval, as at 14 March 2022 the Administrators have drawn remuneration of c.£15.0m plus VAT in respect of time costs incurred to 28 February 2022.

Administrators' expenses and disbursements

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

Category 1 expenses comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance. The Administrators are not required to seek creditor approval to draw Category 1 disbursements. No category 1 disbursements were incurred during the Reporting Period.

Category 2 expenses include payments from an insolvency estate of any element of costs that are shared, or payments being made to an associate, and must be approved by the same party who approves the Administrators' fees. Category 2 expenses incurred during the Reporting Period total £4,754,643 (largely in connection with a contractual obligation shared with, and paid by, other UK Lehman estates). These disbursements have not yet been drawn.

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

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

Creditors can request a paper copy of the above guide by contacting uk_lehmanaffiliates@pwc.com

Appendix A: Receipts and payments

Receipts and payments account for the period ending 14 March 2022

	£m		
	14-March-22	Movement in Period	15-Sep-21
Receipts			
Investments in subsidiaries	623.6	3.9	619.7
Intercompany debtors	796.4	25.7	770.7
Sale of tax losses	9.1	-	9.1
Sale of LBAM	(0.8)	-	(0.8)
Other receipts	8.2	0.7	7.5
Total Receipts	1,436.5	30.3	1,406.2
Payments			
Distributions to unsecured unsubordinated creditors (Note 2)	1,425.8	56.6	1,369.2
Joint Administrators' remuneration	15.0	0.7	14.3
Joint Administrators' expenses	0.4	-	0.4
Legal and professional fees	13.3	1.1	12.2
Purchase of tax losses	13.5	-	13.5
Other payments	2.4	0.2	2.2
Net VAT irrecoverable (Note 1)	1.7	0.1	1.6
Net VAT recoverable (Note 1)	0.9	(0.1)	1.0
Total Payments	1,473.0	58.6	1,414.4
Intracompany Transfers			
Payment	-	-	-
Receipt	99.9	-	99.9
Total receipts less total payments	63.4	(28.3)	91.7
Cash Balances			
Bank accounts	7.0	(25.3)	32.3
Money market deposits (Note 3)	56.4	(3.0)	59.4
Total Cash	63.4	(28.3)	91.7

1. LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
2. During the Reporting Period, c.£2.6m, which was deducted from the 7th dividend of a share of statutory interest, was paid to HMRC in respect of income tax.
3. Funds are invested on the money markets in order to accrue interest and to manage risk.
4. In addition to the receipts listed above, c.US\$146.7m and c.€0.3m has been received during the course of the Administration with almost all such funds now being held in £ sterling. In the reporting period, there were receipts of c.US\$10k from intercompany debtors.
5. Sums have been rounded to the nearest 0.1m (GBP, USD or EUR as appropriate).
6. There may be rounding in this table which makes it appear to not perfectly cast.

Distributions to non-preferential unsecured unsubordinated creditors	£m
1st dividend of 4.08p in the £, declared 3 September 2014	43.8
2nd dividend of 2.00p in the £, declared 10 February 2016	21.6
3rd dividend of 62.963p in the £, declared 6 September 2017	676.7
4th dividend of 18.587p in the £, declared 13 September 2018	199.8
5th dividend of 12.37p in the £, declared 15 March 2019	132.9
5th dividend of a share of statutory interest, declared 15 March 2019	27.1
6th dividend of a share of statutory interest, declared 16 February 2021	267.3
7th dividend of a share of statutory interest, declared 15 September 2021 (Note 2)	56.6
Total distributions	1,425.8

Appendix B: Expenses

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

The table should be read in conjunction with the receipts and payments account in Appendix A, which shows expenses actually paid during the Reporting Period but excludes those incurred which have not yet been paid.

It remains difficult to provide a meaningful estimate of future expenses. Whilst the table includes an estimate, the Administrators caution that actual future expenses will be considerably impacted by the progress of, among other matters, the Priority Application. The estimate we have provided assumes that this litigation will result in the Administration lasting for at least a further 36 months. That timeframe could be shortened if the litigation, and matters affecting the LBIE estate, are resolved sooner, or extended if necessary if Court decisions continue to be appealed or new questions are asked, and the Court timetable extends beyond such a period. In either scenario the eventual future expenses may be materially different from those provided in the estimate.

Sums have been rounded to the nearest £0.1m.

Expense	Incurred in the period under review £m	Estimated future £m	Anticipated total £m
Joint Administrators' remuneration & expenses	0.9	3.3	20.0
Legal and professional fees	0.9	3.7	16.4
Other	0.2	0.8	3.6
General reserve (including third party shared costs with other UK Lehman estates)	4.8	12.4	17.2
VAT Irrecoverable	0.1	1.4	3.3
Total	6.9	26.9	60.5

There may be rounding in this table which makes it appear to not perfectly cast.

Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Creditors' Committee. Up to 14 March 2022 we have drawn remuneration and disbursements of £15.4m, in line with the approval given, as shown in the Receipts and Payments account in Appendix A.

The time cost charges incurred in the Reporting Period, regardless of whether paid and/or invoiced, are £0.9m. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

Our hours and average rates:

Work Classification	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	8	7,589	47	26,542	164	73,316	16	4,424	235	111,871
Strategy and Planning	341	314,212	149	92,474	22	9,610	-	-	513	416,296
Statutory and Compliance	23	21,292	86	53,555	75	33,668	-	-	184	108,514
Tax and VAT	80	105,784	101	92,999	51	25,066	-	-	231	223,849
Creditors and Distributions	18	15,856	22	13,844	27	11,875	-	-	67	41,574
Total for six months ended 28 February 2022	471	464,733	405	279,413	339	153,535	16	4,424	1,230	902,105
Average hourly rate for the six month period to 28 February 2022										733
Cumulative total to 28 February 2022										16,232,040

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

Cumulative total by classification of work

	£
Accounting and Treasury	1,736,752
Strategy and Planning	8,963,316
Statutory and Compliance	1,868,224
Tax and VAT	2,992,816
Creditors and Distributions	670,932
TOTAL	16,232,040

Our 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 that is needed 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 isn't 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 don't charge general or overhead costs.

We set out below the current maximum charge-out rates per hour for the grades of our staff who already work or who are likely to work on the administration.

BRS & Forensics	£
Partner	985
Director	870
Senior Manager	625
Manager	545
Senior Associate	450
Associate/support staff	280

We call on colleagues in our Tax department where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Tax	£
Partner	1,385
Director	1,275
Senior Manager	975
Manager	710
Senior Associate	520
Associate	285

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

Our work in the period

Although not an exhaustive list, in the following pages we provide more detail on the key areas of work.

Accounting and treasury — £111,871

This is an essential function for the management of funds held by the Administrators on behalf of the Company. The Administrators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments for the benefit of the Company's creditors.

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

Strategy and planning — £416,296

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

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

Subordinated debt proceedings

- Ongoing preparation for and attendance at Court of Appeal hearing,
- Consideration of implications of the Priority Application Court of Appeal Judgment and development of strategy,
- Review and consideration of LBHI application to the Supreme Court for permission to appeal and preparation of LBH's objections,
- Engagement with respondents and other interested parties,
- Updates to website, and
- Ongoing consideration and modelling of potential outcome scenarios in light of the Priority Application Court of Appeal Judgment.

General matters

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

Statutory and compliance — £108,514

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

- Preparing and circulating to creditors the Administrators' 26th progress report to creditors,
- Generating monthly time cost information in support of the Administrators' remuneration,

- Preparation for 10th meeting of the creditors' committee,
- Preparations for a court application to remove certain of the Joint Administrators,
- Dealing with change of Administrators, including statutory notifications and advertising,
- Dealing with statutory filings at Companies House and the Court,
- Preparing the Administrators' internal six monthly case reviews in accordance with professional requirements,
- Managing and updating communications on the Company's website, maintaining and managing case files, records and the Company database, and
- Dealing with other ad-hoc compliance and statutory issues.

Tax and VAT — £223,849

The following tasks were undertaken for VAT and tax compliance purposes:

- Preparation and submission of the 2020 tax computation and return,
- Continued analysis of the application of the new loss restriction rules, corporate interest restriction rules and proposed changes to capital gains tax legislation,
- Quarterly tax update meetings and regular internal update meetings,
- Complying with the Administrators' responsibilities under Senior Accounting Officer legislation,
- Liaising with PwC tax and accounting specialists,
- Preparation VAT returns for November 2021 and February 2022, and
- Work in arranging for VAT repayments to be distributed to the Company.

Creditors and distributions — £41,574

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

- Payment of the 7th interim distribution to unsubordinated creditors and dealing with associated legal notices, and
- Responding to creditor enquiries received via the Lehman Affiliate mailbox and updating creditor information.

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

Certain centralised services are undertaken on behalf of the Company by employees retained by LBIE and LB SF Warehouse Limited for their prior and ongoing knowledge of the Company's affairs. Included in these services are the provision of certain tax and VAT services, claims review services and key staff resources. The benefit to the Company's creditors is through cost savings. This is because the Administrators consider it more efficient that this work is carried out by subcontractors and by the centralisation of services. The costs of such services are recharged to the Company on a time costs basis and are invoiced directly to the estate.

Legal and other professional firms

We have instructed the following professionals on this case to assist with various legal matters arising in the Administration.

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists. All professional firms instructed by us are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. We are satisfied that the level of legal and professional costs are appropriate.

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

Appendix D: Estimate of future time costs

As previously reported, the Administrators acknowledge that the provisions of the revised SIP9 apply to this insolvency, although given the uncertainty surrounding the eventual resolution and outcome of the Priority Application, it remains difficult to provide a meaningful estimate of our future time costs.

Whilst an estimate of future time costs is provided in the table below, the Administrators caution that actual future time costs will be considerably impacted by the progress of these matters. The estimate we have provided assumes that these legal proceedings will result in the Administration lasting for at least a further 36 months. That timeframe could be shortened if the litigation, and matters affecting the LBIE estate, are resolved sooner, or extended if necessary if Court decisions continue to be appealed and the Court timetable extends beyond such a period. In either scenario the eventual future time costs may be materially different from those provided in the estimate below.

Classification of work	£m
Accounting and Treasury	0.3
Strategy and Planning	1.5
Statutory and Compliance, Tax and VAT	1.1
Creditors and Distributions	0.4
Total	3.3

Appendix E: Other information

Court details for the administration:	High Court of Justice, Chancery Division, Companies Court — case 7943 of 2008
Company's registered name:	Lehman Brothers Holdings plc
Trading name:	Lehman Brothers Holdings plc
Registered number:	01854685
Registered address:	7 More London Riverside, London SE1 2RT
Date of the joint administrators' appointment:	15 September 2008
Joint administrators' names, addresses and contact details:	EJ Macnamara, GE Bruce and DJ Kelly of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT If you've got any questions, please get in touch with Diane Adebowale, on +44 (0) 7583 5000, or at: uk_lehmanaffiliates@pwc.com .
Investigations and actions	Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.
Extension(s) to the initial period of appointment:	The High Court of Justice has granted six extensions to the Administration period to: 30 November 2010, 30 November 2011, 30 November 2013, 30 November 2015, 30 November 2020 and to 30 November 2022.



This document has been prepared solely for the purpose explained on page 3. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2022 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.