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1 Company details

Company number 0 1 8 5 4 6 8 5

Company name in full Lehman Brothers Holdings plc

→ **Filling in this form**

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Gillian Eleanor

Surname Bruce

3 Administrator's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

4 Administrator's name ①

Full forename(s) Derek Anthony

Surname Howell

① **Other administrator**

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number PricewaterhouseCoopers LLP

Street 7 More London Riverside

Post town London

County/Region

Postcode S E 1 2 R T

Country United Kingdom

② **Other administrator**

Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	^d 1	^d 5	^m 0	^m 3	^y 2	^y 0	^y 2	^y 0
To date	^d 1	^d 4	^m 0	^m 9	^y 2	^y 0	^y 2	^y 0

7 Progress report

I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

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X

Signature date

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AM10

Notice of administrator's progress report

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Contact name **Diane Adebowale**

Company name **PricewaterhouseCoopers LLP**

Address **7 More London Riverside**

Post town **London**

County/Region

Postcode

S E 1 2 R T

Country **United Kingdom**

DX

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

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Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①
Use extra copies to tell us of additional insolvency practitioners.

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1 Appointment type

Tick to show the nature of the appointment:

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

① You can use this continuation page with the following forms:
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)

Russell

Surname

Downs

3 Insolvency practitioner's address

Building name/number

PricewaterhouseCoopers LLP

Street

7 More London Riverside

Post town

London

County/Region

Postcode

S E 1 2 R T

Country

United Kingdom

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- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)

Ian David

Surname

Green

3 Insolvency practitioner's address

Building name/number

PricewaterhouseCoopers LLP

Street

7 More London Riverside

Post town

London

County/Region

Postcode

S E 1 2 R T

Country

United Kingdom

Continuation page

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- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)	Edward John
Surname	Macnamara

3 Insolvency practitioner's address

Building name/number	PricewaterhouseCoopers LLP
Street	7 More London Riverside
Post town	London
County/Region	
Postcode	S E 1 2 R T
Country	United Kingdom

Joint administrators' progress report from 15 March 2020 to 14 September 2020

Lehman Brothers Holdings plc
(in administration)

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

13 October 2020

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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 / LBH	Lehman Brothers Holdings plc
Administrators	DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara, 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 March 2020 to 14 September 2020

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

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company. Any estimated outcomes for creditors included in this report are illustrative only and 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.

Nothing in this report is to be taken as an admission of any US Clawback litigation liability nor liability as to the applicability or quantum of any prejudgment interest and any assumptions made in this regard are for illustrative purposes only. Further the success of any counterclaims made by US Clawback litigation defendants have not been factored in as further distributions by LBHI are outside the Administrators' visibility, however it is understood these are not expected to be material.

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.

DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara 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: <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: 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-fourth 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 £27.1m of statutory interest. Further statutory interest, totalling £766.9m, will need to be paid before distributions to subordinated creditors may commence.

LBH's ability to make such payments, including payments to subordinated creditors, is dependent on a number of material factors which are covered below.

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 under a guarantee provided by the Company.

The claims from LBHI and LBGP total £1,690.1m. No payments towards subordinated debt have been made to date.

The key issues which will determine the eventual outcome in LBH's estate continue to be:

- the quantum of further payments by LBIE, and LBHI2's share of such payments received pursuant to the arrangements under the Wentworth Joint Venture ('**WW**'),
- the outcome of the subordinated debt litigation ('**Priority Application**') being pursued by LBH in the LBHI2 estate,
- the outcome of the clawback litigation being pursued by LBHI against LBHI2 and LBL (amongst others) in the United States Bankruptcy Court Southern District of New York ('**NY Bankruptcy Court**') (the '**Clawback Litigation**'), and
- the duration, future costs and priority expenses (including tax), 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.

Current status – High Court judgment in the Priority Application; estimated financial outcomes

Following a High Court trial in November 2019, Mr Justice Marcus Smith handed down his first instance judgment in the Priority Application on 3 July 2020. Amongst other matters, Mr Justice Marcus Smith found that:

- at LBHI2 level, LBH's subordinated debt claim ranks senior to that of Lehman Brothers Holdings Scottish LP3 ('**SLP3**') (a controlled subsidiary of LBHI),
- at LBH level, the subordinated debt claims of LBHI and LBGP rank pari passu, with any claims of individual investors under subordinated guarantees ranking the most junior and thus behind the claims of LBHI and LBGP,
- LBHI's subordinated debt claim against LBH was not released by the terms of the 2011 Settlement Agreement between (among others) LBH and LBHI, and
- LBGP's subordinated debt claim against LBH is subject to the discounting mechanism set out in the Insolvency Rules 2016.

A summary of the judgment, together with the full text of the judgment, is available on the Company's website at:

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

A hearing to deal with consequential issues, such as permission to appeal and costs, took place before Mr Justice Marcus Smith on 24 July 2020. At that hearing (among other matters):

- the Judge granted SLP3 permission to appeal the ranking of the subordinated debts at LBHI2 level, but only on grounds of construction and not on grounds of rectification,
- the Judge granted Deutsche Bank and LBGP permission to appeal the relative ranking of LBHI's and LBGP's subordinated debts at LBH level, but only on grounds of construction, and
- the Judge refused all other applications for permission to appeal.

A high-level summary of the outcome of that hearing and copies of the orders are also available on the Company's website.

Creditors may also recall that the Administrators have been investigating whether LBHI2 is indebted to the Company for an additional, subordinated amount of c.US\$961m, over and above the Company's current claim of c.US\$2.225bn. That process is continuing.

In the absence of a consensual settlement of the issues raised by the Priority Application, we anticipate that the Court of Appeal will hear any appeal in late 2021/early 2022, with judgment due some time thereafter.

The Reporting Period has consequently been a very significant period for LBH, with increased clarity (subject to any appeals) on the cash that will become available to it and legal guidance from the Court as to how such cash will be shared in due course.

On the basis of the current Court judgment in the Priority Application, and based on current projections and certain assumptions, the LBH Administrators have prepared an assessment of the potential economic outcomes for LBH's creditors. This is available on the Company's website and an extract is provided at Section 3.

In summary:

- LBH will be able to pay all of its unsecured creditors' statutory interest in full,
- LBH will be in a position to make payments to its subordinated creditors. Given the current judgment with regard to the discounting of LBGP's claim, LBHI will be paid 86% of funds available for distribution to LBH's subordinated creditors, with 14% of such funds payable to LBGP; and
- No distributions will be to individual investors in partnerships managed by LBGP under a guarantee provided by the Company or to the Company's shareholder.

Creditors' committee

The creditors' committee (**'the Committee'**) is composed of: LBHI, LBIE, LBL, LBGP, and Lehman Brothers Securities Asia Limited (in liquidation). We propose to convene a meeting of the Committee in the coming weeks.

Extension application

As mentioned above, the extent of future receipts by LBH and the distributions that the Administrators are able to make to LBH's own creditors will be impacted by the ongoing litigation (including potential appeals). The timing of future receipts will also in part be determined by the timing of future distributions from LBIE, and from LBHI2.

It follows that the business of the Administration will not be capable of being achieved for some time yet, and in any event certainly not prior to the currently scheduled expiry of the Administrators' term of office on 30 November 2020.

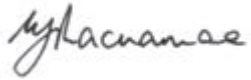
In light of this, the Administrators are in the process of applying to the Court to request a further, two-year extension in order to continue to pursue the objective of the Administration, realise the remaining assets and accordingly make further distributions to LBH's creditors. That application is listed to be heard by the Court on 2 November 2020.

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 'E Macnamara', written in a cursive style.

E Macnamara

Joint Administrator
Lehman Brothers Holdings plc

Section 2: Progress during the reporting period

Key value drivers

Lehman Brothers Europe Limited ('LBEL')

Following a corporate transaction in 2019 in which LBH acquired the assets of LBEL, its wholly-owned subsidiary, LBEL entered into a Members' Voluntary Liquidation process. That process is now complete, the Company having received from LBEL final equity distributions of £61.9m, being the Company's principal recovery during the Reporting Period. No further distributions will be received. LBEL has now been dissolved.

The completion of this restructuring was of benefit to the Company, through cost savings resulting from LBEL's administration ending expediently, and in addition the restructuring has simplified some of the circularity of potential future cash flows across various Lehman estates.

LBIE

As mentioned above, the final outcome in the LBIE estate has a key impact on the outcome for LBH's creditors.

The first instance ruling of the Priority Application renders the Company as LBHI2's principal stakeholder, benefitting in priority to other creditors. LBHI2's principal asset is its interest in LBIE (after sharing arrangements with WW have been taken into account).

Based on our own assessment and certain assumptions, and based on the current judgment in the Priority Application, we believe it is reasonable to estimate that in due course c.£250m of the funds distributed by LBIE will, having been received by LBHI2, be onwardly distributed to LBH net of costs and reserves. We note many of LBIE's unresolved issues are subject to litigation which of course creates uncertainty as to the final outcome and indeed as to the timing of receipt of any such recoveries. We continue to closely monitor developments.

Litigation

The Company is directly involved in the Priority Application, and indirectly impacted by the outcome of the Clawback Litigation. Both materially affect the outcome for LBH's creditors.

The Priority Application in the LBHI2 estate

See detailed summary in Section 1.

Clawback Litigation

The Company has significant interests in a number of entities which are in receipt of guarantee payments from LBHI. In 2018, LBHI chose to cease making further payments and to subsequently issue proceedings against certain entities, in April 2019, to recover certain amounts paid. Each of LBHI2, MBAM and LBL (among others) are party to this litigation.

- LBHI2

If the current Priority Application judgment is not overturned, then the Company is likely to be the sole beneficiary of LBHI2's estate. In relation to LBHI2, LBHI is claiming the return of guarantee payments of \$105.6m plus pre-judgment interest.

- **MBAM**

MBAM is a solvent, wholly-owned subsidiary of LBH. The extent to which MBAM will be able to pay a return to LBH as its shareholder will depend upon whether LBHI succeeds in its claim against MBAM. LBHI is claiming the return of guarantee payments of \$16.3m plus pre-judgment interest.

- **LBL**

LBL is a wholly owned subsidiary and substantial creditor of LBH. As a consequence of the first instance ruling in the Priority Application, assuming this is not overturned, and depending upon other matters described in this report (including the outcome of the Clawback Litigation), LBL is likely to receive sufficient distributions from LBH to pay all of its creditors in full and make a return to LBH as its shareholder. LBHI is claiming the return of guarantee payments of \$128.0m plus pre-judgment interest. Creditors are referred to LBL's most recent Progress Report for further information.

A motion for summary judgment has been filed with the NY Bankruptcy Court and we understand that a hearing on this motion (and the anticipated cross-motion) will take place in early 2021. LBH's website will be updated to reflect any important developments.

Creditors

All unsubordinated, unsecured creditors have had their admitted claims paid in full, and have been paid £27.1m of statutory interest. Further statutory interest (totalling £766.9m) will need to be paid before distributions to subordinated creditors may commence. No payments towards subordinated debt have been made to date.

See detailed summary of the Priority Application in Section 1.

Resolution efforts

The Administrators have endeavoured to hold discussions with parties to explore the basis upon which a settlement might be achieved.

We will continue to hold discussions bilaterally with interested parties on a periodic basis in an attempt to expedite progress.

Other activities

The interests of LBH are complex, given the claims, flows of funds and associated tax arising between the various Lehman entities, as well as recognising the alternative litigation outcomes that might arise.

In light of this, on the basis of the current Court judgment and certain assumptions, the LBH Administrators have prepared an assessment of the potential economic outcomes for LBH's creditors. This is available on the Company's website and an extract is provided at Section 3.

Section 3: Financial position

For completeness we include here an extract of the estimated financial outcomes announcement that was recently published on the Company's website:

Estimated outcome for LBH subordinated creditors	LBHI lose clawback £m	LBHI wins clawback £m
Recoveries for LBH subordinated creditors	417	233
Distributions to subordinated creditors*		
LBHI subordinated claim	(86%) 360	201
LBH Sub-Notes claim (a conduit for the ECAP holders)	(14%) 57	32

* No return shown for individual investors in partnerships managed by LBGP under a guarantee provided by the Company which is more deeply subordinated

Distributions to LBH's subordinated creditors relate to (i) LBHI's subordinated debt claim of c.£1,059m and (ii) an LBH Sub-Notes claim (a conduit for the ECAP holders) of c.£631m which, in line with the first instance judgment in the Subordinated Debt Proceedings, has been discounted to c.£168m. Distributions are shown on a pari passu basis.

In these circumstances no recoveries should be expected by stakeholders whose interests are junior to the claims of LBH subordinated creditors.

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 likely financial outcome for LBH's stakeholders.

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

- The first instance judgment in the Priority Application stands and is not overturned on any appeal,
- LBIE makes further distributions of £500m, of which we assume £250m is retained by LBHI2 and is then assumed to flow through LBHI2 to LBH in light of the current judgment. This estimate excludes any recoveries from certain of LBIE's pending, material litigation, and
- Certain assumptions relating to expense liabilities (including in relation to tax) across the UK Lehman group.

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 corporation tax return for the year ended 14 September 2019 has been submitted and showed losses of c.£30.4m. Approximately £25.8m of these losses were carried back to shelter profits accrued by the Company in the prior year. In the period, the Company paid £3.3m to other Lehman entities for group relief claimed in respect of the year ended 14 September 2018. The enquiry period for the 2018 return will close on 31 January 2021 and the enquiry period for 2019 return will close on 14 September 2021.

The changes to corporation tax loss relief and interest deductibility introduced under Finance (No. 2) Act 2017 are likely to affect the availability of losses for group relief purposes and mean that there is a greater possibility of taxable profits arising in the Company. The Administrators have met their obligations under the Senior Accounting Officer legislation and regarding the publication of the Lehman group Tax Strategy. The Administrators have also adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards and have considered their obligations under the new Corporate Criminal Offence rules which came into effect in September 2017.

Our receipts and payments account

An account of the receipts and payments for the six months to 14 September 2020, 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 December 2015 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.

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. Indeed, it is beyond the date to which the Administrators are currently (as explained above) applying to the Court to extend the Administration until. In order for the Administration to continue for another 36 months, it would accordingly be necessary for the Court to grant the extension of the Administrators' appointment for which they are currently in the process of applying and thereafter to grant at least one further extension.

That timeframe could be shortened if the litigation is settled sooner. 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 March 2020 to 31 August 2020, including the cumulative total time costs from the date of the Administrators' appointment to 31 August 2020, and
2. a summary of the Administrators' time costs for the 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 2020, the Administrators have drawn remuneration of c.£12.2m plus VAT in respect of time costs incurred to 31 August 2020.

Disbursements

Category 1 disbursements 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 approval to draw Category 1 disbursements. No Category 1 disbursements were incurred during the Reporting Period.

Category 2 disbursements for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves the Administrators' fees.

As a result of the Company's direct interest in the Priority Applications, the scope of work undertaken by our specialist Forensics team was increased. The Forensics team utilises IT software to review the Lehman archives in order to obtain and supply evidence for witness statements. These exercises were conducted by a combination of PwC and legal resources and are carried out in accordance with standard e-disclosure processes. PwC uses a third party to provide the platform in which to access the Lehman archives and transfer the data to PwC's e-review sharing platform. PwC charges a monthly licence and hosting fee where this platform is used on an assignment.

A total of £0.1m plus VAT was incurred in the Reporting Period. As Category 2 disbursements, the Administrators will be seeking Committee approval to draw these amounts due course.

The Administrators' disbursements policy allows for all properly incurred disbursements to be recharged to the Administration. The disbursements referred to above have not yet been drawn.

Creditors' rights

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%20credits%20guide%20to%20administrators%20fees%20010407.ashx>

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

Appendix A: Receipts and payments

Receipts and payments account for the period ending 14 September 2020

	£m			US\$m		
	14-Sep-20	Movements in period	14-Mar-20	14-Sep-20	Movements in Period	14-Mar-20
Receipts						
Investments in subsidiaries	603.0	61.9	541.1	0.5	-	0.5
Intercompany debtors	569.3	-	569.3	57.7	0.1	57.6
Sale of tax losses	9.1	-	9.1	-	-	-
Sale of LBAM	(0.8)	-	(0.8)	74.1	-	74.1
Other receipts	6.0	0.1	5.9	14.3	-	14.3
Total Receipts	1,186.6	62.0	1,124.6	146.6	0.1	146.5
Payments						
Distributions to unsecured unsubordinated creditors (Note 2)	1,101.9	-	1,101.9	-	-	-
Joint Administrators' remuneration and disbursements	12.3	1.6	10.7	-	-	-
Legal and professional fees	10.4	1.4	9.0	-	-	-
Purchase of tax losses	13.5	3.3	10.2	-	-	-
Other payments	1.9	0.1	1.8	-	-	-
Net VAT irrecoverable (Note 1)	1.3	0.2	1.1	-	-	-
Net VAT recoverable (Note 1)	0.7	(0.2)	0.9	-	-	-
Total Payments	1,142.0	6.4	1,135.6	-	-	-
Intracompany Transfers						
Payment	-	-	-	146.5	-	146.5
Receipt	99.9	-	99.9	-	-	-
Total receipts less total payments	144.5	55.7	88.8	0.1	-	-
Cash Balances						
Bank accounts	2.6	0.9	1.7	0.1	-	-
Money market deposits (Note 3)	141.9	54.8	87.1	-	-	-
Total Cash	144.5	55.7	88.8	0.1	-	-

1. LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is irrecoverable.
2. The sum of £1.2m was deducted from the 5th dividend of a share of statutory interest in respect of income tax due to HM Revenue & Customs.
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.€0.3m has been received during the course of the Administration with all such funds now being held in £ sterling. In the Reporting Period, there were no € receipts.
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 (Note 3)	27.1
Total distributions	1,101.9

Appendix B: Expenses

The following table provides details of the expenses we incurred in the Reporting Period, together with an estimate of our future and total expenses. Expenses are amounts properly payable by us as administrators from the estate and includes our fees, but excludes distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as an administration expense, other than VAT, because amounts becoming due will depend on the position at the end of the tax accounting period.

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

In estimating future expenses, assumptions have been made relevant to the annual run rate and the possible duration of the Administration, where appropriate.

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 & disbursements	1.3	5.5	19.2
Legal and professional fees	1.3	1.6	12.1
Other	0.1	1.3	3.6
General reserve for uncertain future costs		22.3	22.3
VAT Irrecoverable	0.2	2.3	3.6
Total	2.3	33.6	60.7

Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Creditors' Committee. Up to 14 September 2020 we have drawn remuneration of £12.2m, in line with the approval given, as shown on the enclosed receipts and payments accounts.

The time cost charges incurred in the Reporting Period, regardless of whether paid and/or invoiced, are £1.3m. 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:

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	2	2,202	85	48,078	198	81,645	16	3,611	301	135,536
Strategy and Planning	420	378,670	406	230,111	262	107,993	14	2,762	1,102	719,536
Statutory and Compliance	8	7,512	112	68,560	65	28,342	-	-	185	104,414
Tax and VAT	71	97,381	173	153,667	81	38,819	30	8,192	354	298,059
Creditors and Distributions	-	-	-	-	5	1,988	-	-	5	1,988
Total for six months ended 31 August 2020	501	485,765	775	500,416	610	258,787	60	14,565	1,946	1,259,533
Average hourly rate for the six month period to 31 August 2020										647
Cumulative total to 31 August 2020										13,328,386

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.

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

BRS & Forensics	Up to 30 June 2020 £	From 1 July 2020 £
Partner	956	985
Director	840	870
Senior Manager	605	625
Manager	525	545
Senior Associate	435	450
Associate/support staff	270	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	Up to 30 June 2020 £	From 1 July 2020 £
Partner	1385	1385
Director	1275	1275
Senior Manager	975	975
Manager	710	710
Senior Associate	520	520
Associate	285	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 table we provide more detail on the key areas of work.

Accounting and treasury — £135,536

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,
- Arrangement of receipts and payments of funds and coding of movements,
- 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 — £719,536

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 development of strategy for LBH Priority Application,
- Liaising with Lawyers and Counsel and other interested parties' legal teams following draft judgement,
- Preparation for and attendance at Consequentials hearing,
- Engagement with other interested parties e.g. LBHI2 and LBL,
- Review and consideration of published judgements and impact on estate,
- Preparation of website updates,
- Ongoing modelling of potential outcome scenarios in light of judgement, and
- Preparation of announcement of potential outcomes for creditors.

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,
- Continued development of financial models to estimate possible ranges of outcomes for the estate,
- Review and maintenance of financial information including updating the estimated outcome statement,
- Liaising with tax specialists in respect of provisions for the estimated outcome statement,
- 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 — £104,414

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

- Preparing and circulating to creditors the Administrators' 23rd progress report to creditors,
- Generating monthly time cost information in support of the Administrators' remuneration,
- Preparing time cost information in anticipation of fee approval request to Committee,
- 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 — £298,059

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

- Preparation and submission of the 2019 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, Tax Strategy and Corporate Criminal Offence legislation,
- Liaising with PwC tax and accounting specialists,
- Preparation of the 2020 VAT reconciliations,
- Preparation of the quarterly VAT returns for May and August 2020, and
- Work in arranging for VAT repayments to be distributed to the Company.

Creditors and distributions — £1,988

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

- Responding to creditor enquiries received via the Lehman Affiliate mailbox and updating creditor information.

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. In addition, the directors of some of the Company's subsidiaries have instructed Brown Rudnick LLP and Davis Polk & Wardwell LLP.

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
	• Brown Rudnick LLP	• Territory knowledge (also instructed by subsidiaries)	• Time costs
	• Davis Polk & Wardwell LLP	• Industry and territory knowledge (also instructed by subsidiaries)	• Time costs
	• Hogan Lovells International LLP	• Industry knowledge	• Time costs

Appendix D: Estimate of future time costs

The Administrators have set aside a reserve of £5.5m their future time costs, broadly analysed as follows:

The below figures assume that:

- The Administration will not be concluded prior to 30 November 2020, which is when the Administration is currently due to end,
- Time costs relating to progression of the case and associated litigation will be incurred at a similar rate to that incurred in recent reporting periods, and
- There will be further distributions to the Company's creditors.

Classification of work	£m
Accounting and Treasury	0.4
Strategy and Planning	2.5
Statutory and Compliance, Tax and VAT	2.1
Creditors and Distributions	0.5
Total	5.5

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:	DA Howell, GE Bruce, ID Green, R Downs and EJ Macnamara, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT If you've got any questions, please get in touch with Diane Adebawale, on +44 (0) 7583 5000, or at: lehman.affiliates@uk.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 five successive extensions to the Administration period to: 30 November 2010, 30 November 2011, 30 November 2013, 30 November 2015 and to 30 November 2020.



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.

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