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***Lehman Brothers  
Holdings plc –  
In Administration***

Joint Administrators' progress report  
for the period 15 September 2015 to 14  
March 2016

12 April 2016

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# ***Section 1 Purpose of the Joint Administrators' progress report***

## ***Introduction***

This is the 15th progress report by the Joint Administrators (the "Administrators") of Lehman Brothers Holdings plc ("LBH" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 14 March 2016 ("the reporting period").

## ***Objectives of the Administration***

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

The specific aims of this Administration were to:

- Realise all assets, including all cash and derivative positions on a managed basis;
- Mitigate so far as is possible and agree in principle the claims of all creditors; and
- Continue to manage its subsidiaries with a view to maximising returns to LBH's creditors.

## ***Creditors' Committee***

The Administrators have met with the Creditors' Committee (the "Committee") on six occasions since its constitution on 12 December 2008 to discuss significant issues and outline key decisions. The most recent meeting with the Committee was held on 18 March 2014.

## ***Outcome for creditors***

On 2 May 2014, the Court granted the Administrators permission to agree and pay a dividend in respect of the claims of its unsecured non-preferential creditors. A first interim dividend of 4.08p in the £ on admitted unsecured, non-preferential (unsubordinated – see below) claims was declared on 3 September 2014.

On 2 February 2016, the Administrators declared and paid a second interim dividend of 2 pence in the £ to the Company's unsecured, non-preferential (unsubordinated) creditors. To date, LBH has declared and paid dividends totalling c.£65.3m.

The Administrators anticipate that a further interim distribution will be made to unsecured, non-preferential (unsubordinated) creditors, however the quantum and timing is uncertain.

## **Subordinated unsecured creditors**

As creditors are aware, LBH guaranteed the following Lehman Brothers Capital funds:

- Lehman Brothers UK Capital Funding LP (ISIN: XS0215349357)
- Lehman Brothers UK Capital Funding II LP (ISIN: XS0229269856); and
- Lehman Brothers UK Capital Funding III LP (ISIN: XS0243852562)

Investors in the above funds are entitled to submit a claim against LBH for the amount they have invested in each fund. However, the guarantee provided by LBH is subordinated to LBH's ordinary unsecured creditors and, accordingly, any claim an investor has will be a subordinated claim.

LBH's unsubordinated unsecured creditors will have to be paid in full before any distribution can be made to subordinated unsecured creditors. Based on current estimates, the Administrators still consider that there is unlikely to be any surplus available to pay a dividend to creditors with subordinated claims.

## ***Extension to the Administration***

On 5 November 2015, the High Court granted the Administrators' application to extend their term of office by a further five years to 30 November 2020.

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## ***Future reports***

The Administrators' next progress report to creditors will be sent in approximately six months.

Signed:



DA Howell  
Joint Administrator  
Lehman Brothers Holdings plc

*AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers Holdings plc to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr 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.*

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## **Section 2 Joint Administrators' actions to date**

### **Asset review**

Following the Administrators' appointment, a detailed review of the asset position was undertaken, which identified the following categories of assets:

- Investments in subsidiary undertakings;
- Financial assets; and
- Inter-company debts.

The Administrators continue to monitor the Company's remaining investments, ensuring that the strategy put in place remains the most effective way to realise value for the benefit of LBH's creditors.

### **Tax**

LBH incurred significant tax losses in pre-appointment tax accounting periods.

A tax loss agreement was entered into with, amongst others, the PwC Lehman administration companies, and LBH has realised £9.1m from the sale of tax losses to date, including £1.5m during the reporting period.

In line with the tax loss agreement, tax function costs (which are an allocation of centrally incurred tax costs) have been deducted from the refunds received.

### **Budget 2016**

The UK government announced in its March 2016 budget two reforms to the use of corporation tax loss relief that will apply from April 2017, subject to consultation:

- (i) companies will only be able to use losses carried forward against up to 50% of their profits above £5m; and
- (ii) the current streaming rules in relation to the use of losses will be amended to allow losses arising on or after 1 April 2017 to be useable, when carried forward, against profits from other income streams (i.e. carried forward trading losses may be used against non-trading profits) and, profits of other group companies (i.e. carried-forward losses may be claimed/surrendered as group relief).

As a result of these reforms, companies with significant brought forward tax losses may

potentially become tax paying entities and sooner than previously forecast.

The Administrators will provide further commentary on the implications of this in future reports as and when the outcome of the consultation is known.

### **Investments in subsidiary undertakings**

LBH holds an equity interest in a number of Lehman group companies, which may ultimately have value. However, until significant matters in those companies are resolved, the level of realisations for LBH remains materially uncertain.

### **Campo Iris ("CI")**

As anticipated in earlier reports, CI, one of LBH's subsidiaries, has now been placed into solvent liquidation. LBH can expect to receive c.€0.5m (before costs) from its investment in CI in due course.

### **Inter-company debts**

Creditors will recall that before it went into Administration, the Company had two key functions:

- As a holding company for a number of entities in the UK group; and
- As a "pass-through" vehicle for the transfer of subordinated debt and cash funding to Lehman Brothers International (Europe).

According to the directors' statement of affairs, the book value of LBH's claims against associated company debtors, which are also in formal insolvency, is c.£338m.

Following a review of the debtor positions, claims totalling c.£360m have been submitted on behalf of LBH, of which c.£154m has been admitted for dividend. To date, recoveries on admitted claims total c.£37.8m.

As detailed in previous reports, a further c.£41m has been claimed in relation to estates where standstill agreements were entered into in September 2014. As at 14 March 2016, c.£2.3m has been received in settlement of certain of the standstill agreements.

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Further realisations are anticipated but the timing and quantum remain uncertain.

Of LBH's debtor claims yet to be adjudicated, the largest by value is an unsecured claim into the LB Holdings Intermediate 2 Limited ("LBHI2") estate of c.£206.4m. The administrators of LBHI2 have not yet sought permission from the Court to make a distribution to unsecured, non-preferential creditors and the likely timing of any such application is unknown. In the meantime, the Administrators continue to monitor the situation in respect of this and all other debts, which have not yet been adjudicated.

As outlined in earlier reports a debtor balance of c.\$51m (c.£28m) was set off against a larger creditor claim against LBH as part of the claims' adjudication process. Debtor balances with a book value of c.\$34m (c.£21m) have been written off on the basis that the balances are not commercially viable to pursue.

Debtor realisations in the reporting period include:

- A final USD distribution from Sail Investor (UK) Limited equivalent to £0.3m;
- A fourth interim distribution from Lehman Brothers (PTG) Limited of £0.7m;
- Lehman Brothers Special Financing, Inc. ("LBSF") and Lehman Commercial Paper, Inc. ("LCPI") of \$0.2m and \$0.1m respectively; and
- Other sums received totalling £60k.

Shortly after the reporting period, LBH received a ninth dividend from LBSF and LCPI of \$16k and \$10k, respectively. To date, LBH has received distributions totalling c.\$11.6m from LBSF and LCPI.

All receipts in USD were immediately converted to GBP to minimise the foreign exchange risk.

Further dividends from LBSF and LCPI are anticipated on a six monthly basis. The timing and quantum of receipts from other debtors is still uncertain.

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## Section 3 Statutory and other Information

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<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court – case 7943 of 2008
<i>Full name:</i>	Lehman Brothers Holdings plc
<i>Trading name:</i>	Lehman Brothers Holdings plc
<i>Registered number:</i>	01854685
<i>Registered address:</i>	7 More London Riverside, London SE1 2RT
<i>Date of the Administration appointment:</i>	15 September 2008
<i>Current Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
<i>Appointer's / applicant's name and address:</i>	High Court of Justice, Chancery Division, Companies Court on the application of the Company's directors, 7 More London Riverside, London SE1 2RT
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration)
<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 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 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 more recently to 30 November 2020.

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## ***Section 4 Financial Information***

### ***Receipts and payments account***

An account of the receipts and payments in the Administration for the six months to 14 March 2016, and a cumulative total since the commencement of the Administration, is set out overleaf.

Sums have been rounded to the nearest £0.1m.

### **Key movements in the reporting period**

- £1.5m sale of tax losses;
- Debtor receipts of c.£1m and c.\$0.3m; and
- Joint Administrators' fees of £0.2m plus VAT.

Net receipts as at 14 March 2016 are equivalent to c.£25.3m.

### ***Administrators' expenses***

In accordance with revised Statement of Insolvency Practice number 9 ("SIP9"), which took effect on 1 December 2015, the Administrators are required to provide a statement of all expenses incurred in the period.

Accordingly, set out in Section 6 of this report is a statement of the expenses that the Administrators have incurred from the date of their appointment to 14 March 2016, together with a comment on future expenses.

### ***Administrators' remuneration***

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 Section 7 of this report:-

(i) an analysis of the Administrators' time costs for the period 1 September 2015 to 29 February 2016, including the cumulative total time costs from the date of the Administrators' appointment to 29 February 2016; and

(ii) a summary of the Administrators' time costs for the period, including the key categories of work, details of the work undertaken, a description of why the work was necessary and whether or not the work was of financial benefit to the creditors or if it was required by statute.

In line with the Committee's approval, as at 14 March 2016, the Administrators have drawn remuneration of c.£4.2m plus VAT in respect of time costs incurred to 31 December 2015. This comprises:

- c.£3.8m plus VAT for time costs incurred from 15 September 2008 to 30 November 2014; and
- c.£0.3m plus VAT, being 75% on account of time costs incurred between 1 December 2014 and 31 December 2015. Of this, c.£0.2m plus VAT was drawn in the reporting period.

### ***Disbursements***

The Administrators are not required to seek approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

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

The Joint Administrators have incurred Category 1 disbursements of £53,663 to date.

There have been no disbursements incurred during the reporting period.

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## ***Creditors' rights***

Creditors have the right to ask for information and challenge an administrator's fees if they believe that they are too high. You 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>

Creditors can request a paper copy of the above guide by contacting [Lehman.affiliates@uk.pwc.com](mailto:Lehman.affiliates@uk.pwc.com).

# Section 5 Receipts and Payments Account

	GBP			USD			EUR		
	14-Mar-16	Movements in Period	14-Sep-15	14-Mar-16	Movements in Period	14-Sep-15	14-Mar-16	Movements in Period	14-Sep-15
<b>Receipts</b>									
Investments in subsidiaries	1.0	-	1.0	0.5	-	0.5	-	-	-
Intercompany debtors (Note 1)	21.8	1.1	20.7	11.6	0.2	11.4	-	-	-
Book debts	0.1	-	0.1	13.8	-	13.8	-	-	-
Sale of tax losses	9.1	1.5	7.6	-	-	-	-	-	-
Proceeds from sale of ESO (Note 2)	1.0	-	1.0	-	-	-	0.3	-	0.3
Bank Interest (Note 3)	0.9	0.1	0.8	0.2	-	0.2	-	-	-
LBAM tax loss receipts	2.5	-	2.5	-	-	-	-	-	-
Net proceeds from sale of LBAM	(0.8)	-	(0.8)	74.1	-	74.1	-	-	-
<b>Total Receipts</b>	<b>35.6</b>	<b>2.7</b>	<b>32.9</b>	<b>100.2</b>	<b>0.2</b>	<b>100.0</b>	<b>0.3</b>	<b>-</b>	<b>0.3</b>
<b>Payments</b>									
Legal fees	1.3	-	1.3	-	-	-	-	-	-
Legal fees relating to Pension costs	0.4	-	0.4	-	-	-	-	-	-
Payments on behalf of subsidiaries	0.1	-	0.1	-	-	-	-	-	-
Wages & salaries	0.3	0.1	0.2	-	-	-	-	-	-
IT costs	0.2	-	0.2	-	-	-	-	-	-
Joint Administrators' remuneration (Note 3)	4.2	0.2	4.0	-	-	-	-	-	-
Professional fees	0.1	-	0.1	-	-	-	-	-	-
Insurance	0.2	-	0.2	-	-	-	-	-	-
Contribution to tax costs	0.2	-	0.2	-	-	-	-	-	-
Net VAT recoverable*	0.2	-	0.2	-	-	-	-	-	-
Net VAT Irrecoverable*	0.4	-	0.4	-	-	-	-	-	-
<b>Total Payments</b>	<b>7.6</b>	<b>0.3</b>	<b>7.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intracompany Transfers</b>									
Payment	-	-	-	(100.2)	(0.2)	(100.0)	(0.3)	-	(0.3)
Receipt	62.6	0.1	62.5	-	-	-	-	-	-
<b>Total receipts less total payments</b>	<b>90.6</b>	<b>2.5</b>	<b>88.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Distributions to non-preferential unsecured unsubordinated creditors</b>									
1st dividend of 4.08p in the £, declared in September 2014 (Note 4)	43.8	2.1	41.7	-	-	-	-	-	-
2nd dividend of 2p in the £, declared in February 2016	21.5	21.5	-	-	-	-	-	-	-
<b>Total</b>	<b>25.3</b>	<b>(21.1)</b>	<b>46.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Balances</b>									
HSBC	10.7	8.8	1.9	-	-	-	-	-	-
Money market deposits (Note 4)	14.6	(29.9)	44.5	-	-	-	-	-	-
<b>Total Cash/Movements (Note 3)</b>	<b>25.3</b>	<b>(21.1)</b>	<b>46.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes:

- (1) Intercompany debtor balance includes settlements from all classes of debtors.
- (2) Net proceeds from sale of shares in ESE Special Opportunities Plc.
- (3) An adjustment has been made to the prior period b/f balances to correct rounding issues incurred in earlier periods.
- (4) A catch up dividend totalling c.£2.1m was paid in the period relating to a previously unadjudicated claim which has now been admitted.
- (5) Funds are invested on the money markets in order to accrue interest and to manage risk.
- (6) LBH is VAT registered and entitled to reclaim 63.09% of input VAT. Therefore 36.91% of VAT is unrecoverable.
- (7) Sums have been rounded to the nearest £0.1m

## Section 6 Expenses

The following table 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 that may be payable as an Administration expense, as 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 in Section 5 of this report, which shows expenses actually paid during the period and the total paid to date.

In estimating future expenses, assumptions have been made relevant to the annual run rate and length of the current period of extension, where appropriate.

Sums have been rounded to the nearest £0.1m.

	Brought forward from preceding period £	Incurred in the period under review £	Cumulative £	Accrued £	Estimated future £**	Anticipated total £
Legal fees	1.3	-	1.3	0.1	2.0	3.4
Pension related legal costs	0.4	-	0.4	-	-	0.4
Payments on behalf of subsidiaries*	0.1	-	0.1	-	-	0.1
Wages & salaries	0.2	0.1	0.3	-	0.2	0.5
IT costs	0.2	-	0.2	-	-	0.2
Joint Administrators' remuneration	4.0	0.2	4.1	-	6.0	10.1
Professional fees	0.1	-	0.1	-	-	0.1
Insurance	0.2	-	0.2	-	-	0.2
Contribution to tax costs	0.2	-	0.2	-	-	0.2
Net VAT (of which 63.09% is recoverable)	0.6	-	0.6	-	1.6	2.2
Total	7.2	0.3	7.5	0.1	9.8	17.4

\*Costs incurred on behalf of the Company's subsidiaries will be recharged to them in due course.

\*\* Certain classes of future costs are subject to material uncertainties, which prevent the Administrators from providing a meaningful estimate of future costs at this time. However, the Administrators have made reserves in respect of their professional fees and legal costs, which are indicated above.

An explanation of the key issues impacting the estate are provided in Section 7 of this report.

## Section 7 Joint Administrators' time costs

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	0.80	548	20.65	9,752	63.85	18,258	35.45	8,326	120.75	36,884
Strategy and Planning	95.65	76,094	235.20	105,953	93.80	25,805	10.35	2,118	435.00	209,970
Statutory and Compliance	2.70	2,101	27.70	12,278	35.00	9,705	43.60	9,964	109.00	34,048
Tax and VAT	18.40	16,051	19.70	11,582	12.80	3,626	6.60	1,176	57.50	32,435
LBIE Recharges	0.07	47	0.16	69	3.35	924	-	-	3.58	1,040
<b>Total for six months ended 29 February 2016</b>	<b>117.62</b>	<b>94,841</b>	<b>303.41</b>	<b>139,634</b>	<b>208.80</b>	<b>58,318</b>	<b>96.00</b>	<b>21,584</b>	<b>725.83</b>	<b>314,377</b>
<b>Average hourly rate for the six month period</b>		<b>806.33</b>		<b>460.22</b>		<b>279.30</b>		<b>224.83</b>		<b>433.13</b>
<b>Cumulative total to 29 February 2016*</b>										<b>4,705,647</b>

Current charge out rates	Business Recovery Services	Specialist	The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.
	Max £/hr	Max £/hr	
<b>Grade</b>	<b>From 1 July 2015</b>	<b>From 1 July 2015</b>	
Partner	899	1,262	* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown given an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.
Director	788	1,108	
Senior manager	527	932	
Manager	444	680	
Senior Associate	271	505	
Associate/Support Staff	236	235	

\* This figure refers to the time costs incurred to 29 February 2016, of which c.£4.2m has been paid to date.

\*\* Recharge calculations can result in time units of less than the minimum of three minutes.

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# ***Summary of the Joint Administrators' time costs for the six months ended 29 February 2016***

## **Accounting and Treasury - £36,884**

An essential function for 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. In the reporting period, interest of £0.1m has been generated, compared to the c. £37k + VAT incurred in costs.

Activities include:

- Provision of information for the purposes of statutory reporting;
- Analysis of interest rates available with counterparties;
- Active management of investments on the money market, and mitigating risk on such investments;
- Due consideration of best strategy for dealing with investments;
- Arrangement of receipts and payments of funds and coding of movements;
- Monitoring flow of funds into the bank accounts; and
- Daily monitoring of the funds held, coordinating with case team to ensure that the optimal level of funds are held on deposit.

## **Strategy and Planning - £209,970**

Due to the inherent complexities of the LBH estate, the Administrators and their staff have invested a large proportion of their time in the planning and delivery of their strategy for the progression of the Administration, whilst ensuring that LBH's interests in relation to the wider Lehman Brothers group are properly represented. The Administrators consider that their actions support their objective of achieving a better result for LBH's creditors as a whole than would be likely if LBH were wound up (without first being in Administration) and recently obtained a five year extension of the Administration in order to continue to pursue this objective.

Recoveries from debtors in the review period total c. £1.1m in the period and a second interim distribution of c.£21.5m was paid to non-preferential unsecured (unsubordinated) creditors in February this year.

Activities include:

- Preparation of an application to Court to extend the Administration and the requisite witness statement and progress reports;
- Development of a financial model to estimate the range of outcomes for the estate as and when there are further developments in the Waterfall proceedings;
- Consideration of restructuring options;
- Review of the strategy for the Administration in relation to various matters, regular team meetings to discuss case progression;
- Review and maintenance of financial information;
- Preparation, declaration and distribution of the second interim dividend;
- Liaison with creditors on a range of issues;
- Review of the remaining unadjudicated non-preferential, unsecured (unsubordinated) creditor claims;
- Debtor strategy review; and
- Liaison with specialist teams.

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## **Statutory and Compliance - £34,048**

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

- Preparation of the Administrators' 14th progress report;
- Circulating progress report to creditors;
- Statutory filings at Companies House and the Court;
- Preparation of receipts and payments account for reports to creditors;
- Preparing detailed remuneration summary;
- Undertaking six monthly case reviews;
- Liaising with Administrators on statutory issues;
- Managing information available on website; and
- Maintaining case files and the LBH database.

## **Tax and VAT- £32,435**

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

- Preparing tax computations;
- Dealing with tax and VAT queries;
- Preparation and submission of VAT returns;
- Reviewing and providing input for correspondence with HMRC; and
- Preparation of corporation tax computations.

## **Lehman Brothers International (Europe) ("LBIE") Recharges – £1,040**

This is an apportionment of the costs levied by LBIE associated with companies which are in administration. The indirect benefit of LBH's creditors is through cost savings from the centralisation of services. The recharges relate to:

- Administering the Cost Recharge Agreement and issuing charges;
- Providing assistance to the Tax team administering the Group Payment Agent;
- Providing central estate accounting services including forecasting, reporting and application of appropriate controls for shared service costs;
- Controlling and reporting time costs incurred for the provision of shared services and analysing and preparing monthly fee reports on time costs ;
- Liaising with LBIE over the closing out of recharge position for building and occupancy and other costs; and
- Dealing with sundry ad-hoc requests.

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## *Joint Administrators' estimate of future time costs*

LBH's principal outstanding positions are its shareholdings in Lehman Brothers (Europe) Limited and Lehman Brothers Limited, and its unsecured claim against LB Holdings Intermediate 2 Limited, all of which are significantly impacted by the outcome of the litigation known as Waterfall I, Waterfall II, and other matters. Waterfall I is due to be heard by the Supreme Court in October 2016, whilst it is currently anticipated that Waterfall II (parts a and b) will be heard in the Court of Appeal in the course of 2017; the judgment of the High Court in respect of Waterfall II (part c) is expected in the near future.

LBH is central to the UK Lehman structure. As such, the ultimate resolution of the estate will not only be subject to a range of complex matters affecting LBH itself, but also to matters where LBH is implicated by its relationships with entities in the wider Lehman group. Accordingly, the Administrators have set aside a reserve of £6m for their future time costs.

In the meantime, the Administrators continue to actively progress all other matters pertaining to the estate.

### *Relationships*

The Administrators have no business or personal relationships with the parties who approve their fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

### *Details of subcontracted work*

Certain centralised services are undertaken on behalf of LBH by employees retained by LBIE; this includes the provision of certain tax and VAT services and key staff resource. The costs of such services are recharged to LBH on a time costs basis and are disclosed separately as part of the Administrators' fee analysis. .

### *Legal and other professional firms*

The Administrators have instructed the following professionals on this case. The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists.

<b>Service provided</b>	<b>Name of firm / organisation</b>	<b>Reason selected</b>	<b>Basis of fees</b>
Legal services:	<i>Linklaters LLP</i>	<i>Industry knowledge</i>	<i>Time costs</i>
	<i>Dentons UKMEA LLP</i>	<i>Industry knowledge</i>	<i>Time costs</i>
	<i>Maples and Calder</i>	<i>Territory knowledge</i>	<i>Time costs</i>