
Lehman Brothers Limited – In Administration

Joint Administrators' progress
report for the period 15 September
2014 to 14 March 2015

10 April 2015

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This progress report has been prepared by the Joint Administrators (the "Administrators") of Lehman Brothers Limited ("LBL" or the "Company") under Rule 2.47(3)(a) of the Insolvency Rules 1986 (the "Rules").

This is the thirteenth such progress report and provides an update on the work that the Administrators have undertaken, with particular focus on the progress made during the six months from 15 September 2014 to 14 March 2015 (the "reporting period").

Objectives of the Administration

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

The specific aims of this Administration have included:

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

Creditors' Committee

The Administrators regularly meet with the Creditors' Committee (the "Committee") and, to date, twenty meetings of the Committee have taken place.

The meetings with the Committee provide the Administrators with the opportunity to explain in detail how the Administrators are dealing with key aspects of the Administration and to consult with the Committee on critical issues.

Outcome for unsecured creditors

As reported previously, the Administrators have paid a dividend of 100p in the £ to former employees whose preferential unsecured claims (comprising claims for unpaid wages and holiday pay) have been admitted.

On 15 December 2014, the Joint Administrators declared and paid a first interim dividend of 1.66p in the £ to ordinary unsecured creditors of LBL.

Creditors who have not yet submitted a claim, and wish to do so, are requested to submit their claims, as soon as possible. Further information is available at:

<http://www.pwc.co.uk/business-recovery/administrations/lehman/LBL-in-administration.jhtml>

The quantum of any future dividend is at present uncertain and materially dependent on LBL, in its capacity as shareholder of Lehman Brothers International (Europe) in Administration ("LBIE") which is an unlimited company, being potentially liable for any shortfall to creditors of that estate (which may include interest, subordinated claims and certain other claims). Further information regarding the "Waterfall" proceedings (which address this issue) is provided in Section 2.2.


Extension of the Administration

On the application of the Administrators, the High Court granted an Order on 20 June 2014 to further extend the period of the Administration to 30 November 2016.

Future reports

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

Signed



MJA Jervis
Joint Administrator
Lehman Brothers Limited

MJA Jervis, AV Lomas, SA Pearson, DY Schwarzmann and JG Parr were appointed as Joint Administrators of Lehman Brothers Limited to manage its affairs, business and property as agents without personal liability. MJA Jervis, AV Lomas, SA Pearson, DY Schwarzmann 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 Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.

Section 2 Joint Administrators' actions to date

Creditors will be aware that prior to the Administration, LBL held most of the UK service and employee contracts on behalf of the Lehman Brothers Group of companies (the "Group"), and provided all HR, IT, property, accounting and other services for the Group in the UK and Europe.

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

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

Further detail on the activities of the current teams is provided in the following pages of this report.

As at the date of the Administration, LBL's primary assets included inter-company receivables, tax refunds, IT assets and fixtures & fittings. The management and realisation of these assets have been the responsibility of the teams in order to maximise the outcome to the creditors of LBL as a whole.

Key progress from 15 September 2014 to 14 March 2015 includes:

- Continued adjudication of the claims of unsecured creditors including former employees, and payment of a first interim dividend of 1.66p in the £ to unsecured creditors;
- Participation in the "Waterfall" appeal, which is explained in more detail below;
- Continued discussions with LBIE and Lehman Brothers Europe Limited ("LBEL"), in respect of the inter-company balances;
- Further payment of agreed preferential claims to 14 March 2015. To date 94% of expected preferential claims by value have been paid; and

- Continued to pursue and recover amounts due to LBL from other Lehman Group companies.

The receipts and payments account on page 13 shows cash held reducing by £3.5m to £261.9m in the six month period. Key movements include:

- Recoveries of c.£17m in relation to inter-company receivables;
- Payments totalling £21.6m to other Lehman group companies in respect of Corporation Tax refunds received on their behalf and held at 14 September 2014; and
- Distributions to creditors of £1.7m.

2.1 Intercompany balances

Overview

The global nature of the Lehman business, with highly integrated trading and non-trading relationships across the Group, led to a complex series of intercompany positions being outstanding at the date of Administration. These included 289 debtor and creditor balances between LBL and the rest of the Group, representing at book value, £1.2bn of receivables and £0.7bn of payables as at 15 September 2008. Of these, c. £1.1bn (>90%) of receivables relate to five relationships. In addition, LBL held guarantees from Lehman Brothers Holdings Inc (“LBHI”) in respect of claims against some other group companies.

Progress

The Intercompany team has continued to make progress in the agreement and recovery of a number of significant receivable balances, including seeking to agree its intercompany balances with LBIE and LBEL.

As a service company, LBL recharged to other group companies the costs it incurred in the provision of services. In excess of 95% of such costs were charged to either LBIE or LBEL.

The Administrators have reviewed LBL’s balance sheet as at the date of Administration, to identify the adjustments that should be made to the balance sheet to reflect the estimated actual outcome and consequential recharge adjustments to the inter-company accounts with LBIE, LBEL and other entities. Significant progress has been made in respect of the adjudication of creditor claims, as set out in section 2.3 of this report. The Administrators are now seeking to finalise, where possible, adjustments to the balance sheet. Discussions with the Administrators of LBIE and LBEL, in respect of the inter-company balances are ongoing.

As described in Section 2.2 below, the “Waterfall” proceedings are still ongoing so the outcome is currently uncertain. As a consequence, it is not possible at this stage to indicate what recovery may be made in relation to LBL’s claim against LBIE or whether ultimately LBIE will be found to be a debtor or a creditor of LBL.

For similar reasons, the final balance with LBEL is also uncertain but LBEL may be a net creditor of LBL.

To date, LBEL has paid dividends totalling 100p in the £ to its unsecured creditors, whose claims have been admitted.

It is anticipated that LBEL will pay a surplus to its shareholder, Lehman Brothers Holdings Plc (“LBH Plc”). The amount of the surplus in LBEL to be paid to LBH Plc is currently uncertain as it depends on a number of factors including the inter-company balance with LBL.

LBL’s largest claim of £710m is against LBH Plc, which is also in Administration. To date, LBL has received a first interim distribution of £28.9m from LBH Plc. Further distributions are expected but the timing and quantum of future distributions is subject to a number of uncertainties.

Other material developments include:

- As creditors are aware, a Plan of Reorganisation of LBHI and the other Affiliates in US Chapter 11 proceedings became effective on 6 March 2012. To date, LBL has received distributions totalling £57.4m (\$92m). Distributions of \$13.5m have been received in the reporting period. The total recovery from these claims remains uncertain. Further distributions are anticipated on a six monthly basis;
- LBL continues to monitor the position with Lehman Brothers Luxemburg Investment S.A.R.L (“LBLIS”) in relation to LBL’s claim of \$225m, of which \$71m has been repaid to date. It is anticipated that further realisations will be received, however the timing and quantum is currently uncertain;
- LBL has received £2.9m from MBAM Investors Limited, being repayment of the debt in full plus interest;
- A number of smaller recoveries have been received from group companies in a variety of jurisdictions, and further recoveries are anticipated;

The Intercompany team continues to proactively progress approximately 46 other LBL Affiliate balances where there remains a reasonable prospect of future realisations.

2.2 Waterfall proceedings

“Waterfall I” application

As previously reported, the Administrators applied to the High Court jointly with the Administrators of LBIE and Lehman Brothers Intermediate Holdings 2 Ltd (“LBHI2”) for directions in relation to the potential liability of LBL and LBHI2 in respect of shares held in LBIE, an unlimited company, and in relation to subordinated debt owed by LBIE to LBHI2 (the “Waterfall I” application).

In March 2014, the Waterfall I judgment was handed down. The judgment addressed a number of questions. In particular, it was held that when LBIE has gone into Liquidation, but not before, the shareholders of LBIE may be subject to calls to provide funds to enable LBIE to pay additional sums, including statutory interest, “non provable debts” such as foreign exchange losses, and subordinated debts. LBIE remains in Administration and has not gone into Liquidation.

However, it was further decided that even though it is not in Liquidation, LBIE may make a contingent claim against its shareholders in respect of amounts that it would (if in Liquidation) call on its shareholders to pay.

The Administrators of LBL, LBIE and LBHI2, and LBHI, were given leave to appeal some parts of the judgment. The appeal was heard over five days at the end of March 2015. It is anticipated that judgment will be handed down during the Summer of 2015.

Following the Joint Administrators giving notice of their intention to declare a first and interim dividend to unsecured creditors, LBIE has submitted a claim for £10.4bn in the estate of LBL. This is formed of three components as follows:

1. Pension debt of £119m (see Section 2.3 of this report);
2. Inter-company claim of £254m (see Section 2.1 of this report); and
3. A contingent contribution claim of £10bn, for the estimated deficiency in LBIE’s estate including statutory interest, “non provable debts” such as foreign exchange losses, and subordinated debts.

The Administrators of LBL are currently reviewing LBIE’s claim and have made a substantial reserve in LBL’s estate, pending final adjudication.

A further update will be provided in the Joint Administrators next report.

“Waterfall II” application

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

Given the scope of the Waterfall II Application, the issues have been separated into three parts and a separate procedural timetable and trial for each part has been agreed. Part A was heard in February 2015 and a judgment is anticipated in the summer of 2015. Parts B and C are listed to be heard in May 2015 and October 2015, respectively.

LBL is not party to the Waterfall II application, but its outcome may materially impact the potential liabilities of LBL. The Administrators therefore continue to closely monitor this application and have reserved the right to apply to the Court to be joined, should it appear necessary to do so to ensure LBL’s interests are appropriately represented.

2.3 Creditor claims and dividend prospects

Progress

Preferential creditors

A dividend of 100p in the £ has been paid to preferential creditors where their claims have been admitted. Since June 2013, the Administrators have made payments in respect of former employees' agreed preferential claims and as at 14 March 2015, 94% of expected claims by value have been agreed and paid.

Unsecured creditors

Payment of first interim dividend

It was previously reported that notice had been given of the Administrators' intention to declare a first interim dividend no later than 31 December 2014.

The Administrators have received c.1,100 unsecured claims, the majority from former employees. Claims received to date total c.£12bn, of which claims from LBIE, LBEL and LBHI2 total £11.1bn. These three claims have yet to be adjudicated and are impacted by the following;

- LBIE (£10.4bn) –Waterfall I and II, pension debt, recharges of LBL costs and adjustments between estates (the “inter-se” issues);
- LBHI2 (£257m) –Waterfall I and II, and “inter se” questions; and
- LBEL (£447m) – recharge of LBL costs, discussed above in this report.

A considerable amount of work has been undertaken to review and adjudicate the claims received, to ensure that each claim is admitted at the appropriate level. This has resulted in claims totalling £104.2m being admitted to date. Less than 20 claims remain to be finally adjudicated. Two appeals to the Court to review rejections of claims are in progress at the date of this report. The Administrators are currently reserving for claims totalling c.£11.8bn, including the claims of LBIE, LBHI2 and LBEL referred to above.

As previously reported, some former employees' claims included elements in respect of “Conditional Stock Awards” (“CSAs”) and Stock Options. The Administrators have been advised that LBL is not liable in respect of either CSAs or Stock Options and therefore these elements of claims have been rejected.

On 15 December 2014, the Administrators declared a first interim dividend of 1.66p in the £. Payments totalling £1.56 million were made to creditors whose claims had been admitted and who had provided bank details to enable payments to be made. After 14 March 2015, a “catch up dividend” was paid to creditors who were entitled to the first dividend but who had not provided bank details or whose claims had not been admitted at the time of the December payment.

The Administrators and their staff continue to liaise with creditors whose claims have yet to be finally adjudicated. It is anticipated that further catch up dividends will be paid in due course, when further claims have been agreed.

Creditors who have not yet submitted a claim and wish to do so are requested to submit their claims, as soon as possible. Further information is available at:

<http://www.pwc.co.uk/business-recovery/administrations/lehman/LBL-in-administration.jhtml>

Pensions

LBL was the principle employer in relation to the Lehman Brothers Pension Scheme (“the Scheme”) and, as previously reported, had received from the Trustees of the Scheme a claim under s. 75 of the Pensions Act 2004 for £119m (the “pension debt”).

The Administrators were informed that an agreement to settle the Upper Tribunal proceedings was completed on 18 August 2014. The settlement provided for the deficiency in the Scheme to be fully funded, principally by LBIE and with contributions from other Lehman group companies.

As noted above, LBIE has submitted a claim against LBL totalling £10.4bn of which £119m is attributable to the pension debt. The settlement included agreement by the Trustees and PPF to assign the pension debt to LBIE.

The Administrators have requested further information in relation to this part of LBIE's claim, are seeking advice upon the validity of the assignment and the enforceability of the pension debt, and continue to reserve their position.

A further update will be provided in the Administrators' next progress report.

Dividend Prospects

The quantum and timing of any future dividends remains uncertain and is materially dependent upon LBL, in its capacity as shareholder of LBIE, being potentially liable for any shortfall to creditors of that estate as discussed above.

Issues and Priorities

The priorities for the next six months are:

- Review, adjudicate and pay the preferential claims of former employees as they are received;
- Continue to progress agreement of employment-related tax liabilities to HMRC, as described in Section 2.4 below;
- Review and adjudicate ordinary unsecured creditor claims that have not yet been finally adjudicated and pay 'catch up' dividends on any claims that are agreed; and
- Continue discussions with LBIE and LBEL, in respect of the inter-company balances.

2.4 Corporation Tax, VAT and other tax matters

Overview

LBL was the Group Paying Agent (“GPA”) of the Lehman UK tax Group and continues to be the representative member of the Lehman VAT Group. LBL, therefore, plays a key role in the tax affairs of Lehman UK.

The ongoing key objectives for the tax team include:

Compliance

- Ensuring tax compliance and statutory filing obligations are met.

Planning

- Effective projection and planning to minimise tax leakage from the UK Group.

PAYE and other employment taxes

- Finalise agreement of amounts due to HMRC in respect of pre-Administration employment related taxes.

HMRC Relationship

- Maintaining a good working relationship with HMRC to facilitate the pragmatic and timely resolution of issues.

Progress

Specific progress in the reporting period includes:

Corporation Tax

- To date, corporation tax repayments of £505m (including interest) have been received by LBL on behalf of the Group. The final corporation tax repayment (for the years 2004-2007) was received before the start of this reporting period, and £21.6m was distributed to other group companies in this reporting period, with LBL’s net benefit being c£2m;
- The group relief position for the year ended 14 September 2012 has been finalised. LBL incurred a tax loss of £3.8m, of which £195k has been surrendered as group relief. LBL received £24k as payment for these losses. The remaining losses were carried forward to the next accounting period; and

- LBL ceased to trade on 31 May 2013, bringing to an end an accounting period for tax purposes. The corporation tax return for this period has been submitted. LBL incurred a loss of £29.7m, of which £1.5m has been surrendered as part of the 2012 group relief pool. LBL received £185k for these losses. It is anticipated that the remaining losses will be surrendered to group companies in the 2013 group relief pool and as such LBL will receive further benefit.

VAT

All group VAT returns have been submitted up to, and including, the quarter ended November 2014;

- Since the last report to creditors, LBL has received VAT repayments from HMRC for the August 2014 and November 2014 VAT quarters totalling £182k; and
- The VAT return for quarter ended February 2015 is currently being prepared and will shortly be submitted to HMRC.

PAYE and other employment taxes

- As reported previously, negotiations with HMRC have progressed to the point where HMRC’s claim has been agreed, however, HMRC has referred to their internal counsel to consider whether certain transactions rank as an expense or an unsecured claim in the Administration. Discussions are ongoing; and
- Employment Benefit Trusts (“EBTs”) - further meeting held with HMRC to establish whether and on what terms a settlement might be agreed in respect of ongoing EBT exposures. Discussion also held with the Trustees of the EBTs to explore options potentially available for a settlement with HMRC.

Over the next six months, the tax team will:

- Finalise and submit the 2013 Group loss position to HMRC, ensuring tax leakage for LBL and the Group is minimised,
- Finalise and submit the tax return to 31 May 2014;
- Submit VAT returns as applicable; and
- Meet with HMRC and the Trustees of the EBTs to further explore the scope and potential terms of a settlement in respect of tax liabilities arising in relation to the EBTs.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - Case 7945 of 2008
<i>Full name:</i>	Lehman Brothers Limited
<i>Trading name:</i>	Lehman Brothers Limited
<i>Registered number:</i>	846922
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	D Gibb (resigned 17/07/2009), CL Heiss (resigned 31/10/2008), IM Jameson (resigned 17/07/2009), AJ Rush (resigned 28/10/2008), PR Sherratt (resigned 06/10/2008)
<i>Company secretary:</i>	M Smith, P Dave, ESE Upton (all resigned 25/01/2010)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in LBL
<i>Date of the Administration appointment:</i>	15 September 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and JG Parr, of PricewaterhouseCoopers LLP, 7 More London Riverside, SE1 2RT
<i>Appointer's name and address:</i>	High Court of Justice, Chancery Division, Companies Court
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LBL's creditors as a whole than would be likely if LBL were wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators may be done by any or one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an extension of the Administration to 30 November 2016.
<i>Estimated dividend for unsecured creditors:</i>	<p>An Order was granted giving the Joint Administrators leave to pay distributions to (non-preferential) unsecured creditors of LBL.</p> <p>The Joint Administrators declared and paid a first interim dividend of 1.66p in the £ to the unsecured creditors on 15 December 2014. The timing and quantum of any future dividends is currently uncertain.</p>
<i>Estimated values of the prescribed part and LBL's net property:</i>	There is no qualifying floating charge holder, so there will be no prescribed part.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings applies to this Administration and the proceedings are the main proceedings.

Section 4 Joint Administrators’ Remuneration

Background

This section sets out the process for setting and monitoring the Administrators’ remuneration.

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

Insolvency Rules 1986

By way of context, the manner in which the Administrators’ remuneration is determined and approved is set out in the Insolvency Rules 1986 (2.106-2.109).

There are two alternative bases under the Insolvency Rules 1986, either:

- A percentage of the value of the property with which the Administrator has to deal; or
- By reference to the time properly given by the Insolvency Practitioner and his staff in attending to matters arising in the Administration.

The Insolvency Rules also provide that in arriving at its decision on remuneration the Committee is required to consider the following matters:

- The complexity (or otherwise) of the case;
- Any responsibility of an exceptional kind or degree which falls on the Administrators;
- The effectiveness with which the Administrators appear to be carrying out, or to have carried out, their duties; and
- The value and nature of the property which the Administrators have to deal with.

Statement of Insolvency Practice No. 9 (“SIP9”)

In addition to the Insolvency Rules, SIP9 provides guidance to insolvency practitioners and creditors’ committees in relation to the remuneration of, inter alia, Administrators. The purpose of SIP9 is to:

- Ensure that Administrators are familiar with the statutory provisions relating to office holders’ remuneration;

- Set out best practice with regard to the observance of the statutory provisions;
- Set out best practice with regard to the provision of information to those responsible for the approval of fees to enable them to exercise their rights under the insolvency legislation; and
- Set out best practice with regard to the disclosure and drawing of disbursements.

The Committee members have each been provided with a copy of SIP9.

When seeking agreement for remuneration, the Administrators are required to provide sufficient supporting information to enable those responsible for approving their remuneration (‘the approving body’) to form a judgement as to whether the proposed remuneration is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend upon:

- The nature of the approval being sought;
- The stage during the Administration of the case at which it is being sought; and
- The size and complexity of the case.

Remuneration review and approval process

As the remuneration is based on time costs, the Committee has been provided with the time spent and the charge-out value, together with additional information setting out the approach to the project.

SIP9 guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning;
- Investigations;
- Realisation of assets;
- Trading;
- Creditors; and
- Any other case-specific matters.

The following categories are suggested by SIP9 as a basis for analysis by grade of staff:

- Partner;
- Manager;
- Other senior professionals; and
- Assistants and support staff.

In both cases the level of analysis and disclosure to the Committee has met or exceeded these standards.

SIP9 also suggests that an explanation of what has been done should include an outline of the nature of the assignment and the Administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent;
- The reasons for subsequent changes in strategy;
- Any comments on any figures in the summary of time being spent accompanying the request the Administrator wishes to make;
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement;
- Any existing agreement about fees; and
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

Each of these matters has been covered in some length in the sessions the Administrators have held with your Committee.

Members of the Committee are bound by a confidentiality undertaking as some of the matters the Administrators have covered with them are commercially sensitive and could impact the level of recoveries by creditors if disclosed.

Resolution of the Creditors' Committee

To pay costs on a 'time properly given' basis

Given the fundamental uncertainties about the value of the property with which the Administrators have to deal, the Committee resolved to use the 'time properly given' basis – i.e. an hourly billing basis.

Hourly rates

In accordance with SIP9, details of the hourly rates have been provided to the Committee.

Cost approvals to date

During the period covered by this progress report, the Committee has approved remuneration of £1,183,841 (exclusive of VAT) which comprises the Administrators' time costs for 2,920 hours at an average hourly rate of £405 in respect of the period 1 May to 31 October 2014.

In the period, no work has been performed for or recharged to Affiliate companies.

The table below provides an analysis of the total hours and cost by grade of staff for remuneration approved by the Committee:

Global Grade	Total hours	Total (£)
Partner	111	98,847
Director	98	80,385
Senior Manager	698	366,386
Manager	461	200,894
Senior Associate	1,188	358,221
Associate	364	79,108
Total	2,920	1,183,841

The Committee has also resolved that the Administrators may draw 75% of their time costs on account to assist with the smoothing of working capital. All such costs are subject to detailed reporting to the Committee and are ultimately subject to their approval. In the reporting period, the Joint Administrators have drawn remuneration of £1,500,894 in respect of time costs incurred to 28 February 2015.

No disbursements were drawn in the six month period from 15 September 2014 to 14 March 2015.

Tax function costs

Certain group tax matters are managed by LBL as Group Paying Agent. When recoveries of corporation tax paid pre-appointment are paid to relevant estates, the associated PwC costs incurred by the relevant estates are re-apportioned by reference to the quantum of refunds to each estate.

The final refund of pre-Administration corporation tax has now been received and redistributed, and

the final re-apportionment of costs is now known. Relevant time costs incurred by LBL and previously reported to and approved by the Committee total £1,802,080. Of that sum, £1,413,629 has been recovered from other estates. LBL has therefore borne only the net difference of £388,451 (excl. VAT).

Time costs above have not been adjusted or amended to reflect this recovery.

Section 5 Receipts and Payments to 14 March 2015

Amount in millions	As at 14 Mar 2015				As at 14 Sept 2014		Movement
	GBP	EUR	USD	CHF	Total in GBP	Total in GBP	
Receipts							
Contribution from third parties *	141.9	0.6	11.3	-	149.6	149.6	-
Building recharge receipts	130.3	-	-	-	130.3	130.1	0.2
Payroll recharge receipts	502.0	0.1	57.1	-	538.4	538.4	-
Other (including realisations and payments for other companies)	163.5	2.8	167.6	0.2	272.2	255.1	17.1
Tax related receipts	678.6	-	-	-	678.6	667.5	11.1
VAT received on invoices	7.2	-	-	-	7.2	7.2	-
Total receipts for period	1,623.5	3.5	236.0	0.2	1,776.3	1,747.9	28.4
Payments							
Building and occupancy cost	(179.5)	(0.3)	(62.8)	-	(219.7)	(219.5)	(0.2)
Payroll and employee costs	(520.1)	(2.8)	(45.2)	-	(551.2)	(550.8)	(0.4)
Return of recharge surplus	(2.4)	-	-	-	(2.4)	(2.4)	-
Other costs and payments	(65.4)	(0.3)	(1.2)	-	(66.4)	(66.4)	-
Other advisors' costs	(1.3)	-	-	-	(1.3)	(1.3)	-
Legal fees	(13.7)	-	-	-	(13.7)	(12.8)	(0.9)
Administrators' fees	(21.4)	-	-	-	(21.4)	(19.9)	(1.5)
Return of Corporation Tax to group companies	(466.7)	-	-	-	(466.7)	(445.1)	(21.6)
VAT related payments	(157.1)	-	-	-	(157.1)	(151.9)	(5.2)
VAT paid on invoices	(9.5)	-	(1.4)	-	(10.4)	(10.0)	(0.4)
Intercompany transfer	(1.5)	-	-	-	(1.5)	(1.5)	-
Total payments for period	(1,438.6)	(3.4)	(110.6)	-	(1,511.8)	(1,481.6)	(30.2)
Inter-currency transfers							
Receipts from inter-currency transfers	111.4	2.7	57.8	-	150.5	138.3	12.2
Payments from inter-currency transfers	(31.1)	(2.7)	(183.2)	(0.2)	(149.7)	(137.5)	(12.2)
Net inter-currency transfers	80.3	-	(125.4)	(0.2)	0.8	0.8	-
Distributions							
Distribution to preferential creditors	(1.8)	-	-	-	(1.8)	(1.7)	(0.1)
Distribution to unsecured creditors	(1.6)	-	-	-	(1.6)	-	(1.6)
Total distributions	(3.4)	-	-	-	(3.4)	(1.7)	(1.7)
Net cash position	261.8	0.1	-	-	261.9	265.4	(3.5)
Bank balances							
Bank of England	-	-	-	-	-	-	-
HSBC	1.2	0.1	-	-	1.3	6.7	(5.4)
Money Market Funds	260.6	-	-	-	260.6	258.7	1.9
Net bank balance	261.8	0.1	-	-	261.9	265.4	(3.5)

*Includes elements of building & occupancy and payroll related recharges

-Payroll costs attributable to Lehman Brothers Limited

GBP £ equivalent is for information purposes only.

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

1 USD = 0.6366 GBP

1 EUR = 0.8322 GBP

1 CHF = 0.6874 GBP

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