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Lehman Brothers Limited – In Administration

Joint Administrators' progress report for the period 15 September 2011 to 14 March 2012

12 April 2012

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Contents

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 seventh 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 since 15 September 2011.

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 are to:

- 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; and
- Mitigate, as far as possible, any further liabilities against LBL by the transfer or termination of contracts.

Creditors' Committee

The Administrators regularly meet with the Creditors' Committee (the 'Committee') and, to date, thirteen 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 the Committee on critical issues.

Outcome for unsecured creditors

The Administrators are not in a position to give an estimate of the timing or quantum of any dividend to unsecured creditors.

However, creditors should be aware that LBL is a shareholder of Lehman Brothers International (Europe) - in Administration ('LBIE'), an unlimited company. LBL is therefore potentially liable for any shortfall to creditors of that estate. Clearly, this could have a significant impact on funds available to other creditors of LBL.

Extension of the Administration

On the application of the Administrators, the High Court granted an Order on 2 November 2011 to further extend the period of the Administration to 30 November 2013.

Future reports

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

Signed:

MJA Jervis
Joint Administrator
Lehman Brothers Limited

Section 2 Joint Administrators' actions to date

LBL was pivotal to the operations of the Lehman Brothers Group of companies (the 'Group'), as it held most of the UK Groups' service contracts and employee contracts. LBL also maintained IT and general infrastructure to support the needs of the Group. It was also the head lessee of the former European headquarters at 25 Bank Street, Canary Wharf.

LBL has continued to provide services whilst in Administration to other UK based Lehman Brothers Companies in Administration (the 'Lehman Administration Companies') and has received cash to cover the associated costs of providing such services. LBL has been successful in reducing the number and value of creditor claims it will receive and over time LBL is continuing to reduce the level of services it provides by either discontinuing specific services or passing service provision to end users.

Since their appointment, the Administrators have used specialist teams from within PricewaterhouseCoopers LLP ('PwC'), working with retained LBL employees, to ensure that the operations of LBL are properly coordinated and the objective of the Administration is met.

The teams are currently formed around the following activities:

- Human resources;
- Pensions;
- Corporation Tax and VAT;
- Intercompany;
- Affiliate company relationships; and
- Recharges.

The Administrators have previously reported on the Information Technology and Property workstreams. The issues dealt with by these workstreams have been either completed or transferred to Lehman Brothers International (Europe) ('LBIE') before the start of the period covered by this progress report.

The Administrators comment in more detail on the activities of the current teams in the following pages of this progress report.

As previously reported, LBL's assets primarily comprised fixtures, fittings, IT assets, tax refunds and inter-company receivables. The teams' responsibilities include the management and realisation of these assets for the benefit of the creditors of LBL, and minimising of obligations to creditors.

Key progress since 15 September 2011 includes:

- The settlement agreement with Lehman Brothers Holdings Inc ('LBHI') and other Affiliate companies in US Chapter 11 proceedings, which came into effect when the LBHI Plan of Reorganisation became effective on 6 March 2012;
- The collection of other receivables totalling £20m. This includes a c.£2.6m debtor settlement from Lehman Brothers India;
- Further recoveries of corporation tax and VAT repayments on behalf of Group companies. During the report period LBL has received corporation tax repayments of £221m on behalf of itself and other Group companies;
- A sustained steady workforce and continued progression in the collection of outstanding employee-related loan and tax amounts, with £0.54m being collected in the period; and
- Confirmation of the Lehman Brothers Pension Scheme's claim in the Administration of £119m.

2.1 Human Resources

Overview

Human Resources ('HR') is responsible for all matters relating to the provision of ongoing 'business as usual' HR support to c. 510 employees and contractors. Most employees and contractors are engaged through LBL with costs recharged to relevant entities.

HR activity includes resource planning, retention, hiring, performance management, development, cost and employee risk control, employee claims management and collection of employee debts due to LBL and the reporting of employee earnings, benefits and tax payments to HMRC.

The retention and management of a stable workforce continues to be critical to achieving the objectives of the Lehman entities in Administration in a cost efficient and effective manner.

Highlights

Maintained a stable and flexible workforce to meet resourcing requirements. 35% of current employees were hired before the Administration, 61% of the workforce are engaged on on-going contracts, 23% are on Fixed Term Contracts and 16% are contractors.

Significant progress has been made in resolving employee preferential and non-preferential unsecured claims.

Progress

The employee workforce levels remained stable. Some employees have been re-deployed to new roles and targeted hiring has been undertaken in order to maintain productivity.

Notable areas of progress include:

- Recruitment of 62 new hires in this reporting period with 51% 'low fee' hiring, securing savings of c. £333k;
- Completion of the formal year-end performance management process with 100% compliance and individual performance assessed against objectives set;
- Determination of individual 2011 performance awards reflecting individual, team and Administration performance;
- The second grant under the 2012 Retention Unit Awards to eligible employees meeting performance levels;
- Completion of two formal reviews of Fixed Term Contract employees with extensions to contracts offered where applicable;
- 2012 objectives setting process completed. Employee's objectives were aligned to key 2012 objectives of the Administration;
- Continuation of employee development with 25 employees transferring to new roles in this period and 47% of employees attending formal Leadership & Development opportunities;
- On-going dialogue with HMRC to resolve pre and post-Administration PAYE / NIC reconciliations;
- Continued progress made in the collection of outstanding loan amounts due to LBL from former employees either directly or in connection with expatriate tax loans, with £0.54m collected in the period;
- Good progress made in contacting all ex-employees who may have claims against LBL. Overall 48% of the former LBL employee population have submitted preferential claims (of which, 96% have been admitted). A further 10% confirmed that no claim will be submitted. Headway has been made in tracing unresponsive employees who may have changed their address.

Issues and challenges

The challenges to be faced in the HR arena will be focussed on ensuring the right level of resource is available to meet the evolving requirements of the Administration. Employee development, engagement and accountability continue to be key to achieving a high calibre and motivated resource pool.

Additional challenges for the next six months are:

- Workforce planning;
- Identification and retention of key employees for 2013;
- Maintaining employee focus;
- Resolution of employee claims; and
- Materially progressing employment tax issues with HMRC.

2.2 Pensions

Overview

As noted in previous progress reports, LBL operated one main pension scheme, namely the Lehman Brothers Pension Scheme (the ‘Scheme’). The Scheme is currently in an assessment period with the Pension Protection Fund.

Progress

During the period covered by this progress report, the Administrators have received the certificate signed by the Scheme, certifying the amount of the Scheme's actual claim in the Administration at £119m.

2.3 Corporation Tax and VAT

Overview

LBL was integral to the Lehman UK tax group acting as the Group Paying Agent for the Group. It is also the representative member for the Lehman UK VAT Group.

The main aim of the tax team is the timely repayment of up to £466m (excluding interest but subject to crown set-off) of corporation tax.

Other key objectives include:

Compliance

- Ensuring all tax compliance is up to date and statutory obligations are met. This encourages timely repayments of both VAT and corporation tax from HMRC.

Planning

- Group tax loss planning to minimise tax leakage from the group; and
- Review of specific transactions to manage tax liabilities arising, this maximises returns to the estate.

Risk Management

- Develop procedures to avoid Group Tax leakage, as tax arising post Administration is an expense of the Administration.

HMRC Relationship

- Maintain good working relationship with HMRC to ensure that issuers are discussed on a real time basis and pragmatic solutions reached.

Progress

Specific progress in the period includes:

Corporation Tax

- Corporation tax repayments of £366m (including interest) have to date been received by LBL on behalf of the Group as a whole. Of this amount, £221m was received in the six months ended 14 March 2012. Only three corporation tax repayments are still outstanding. These are likely to be subject to Crown set-off, and so will be reduced by other tax liabilities still due to HMRC (e.g. PAYE);
- Submission of the 2009 Group loss position to HMRC. By effective utilisation of Group losses in 2009, the UK tax group had no corporation tax liability in 2009;
- The majority of the 2010 Group tax returns were prepared and submitted to HMRC;
- For 2009 only one tax return remains outstanding and for 2010 only three tax returns are outstanding. It is expected all four tax returns will be submitted to HMRC in the next period; and
- Detailed review and tax technical advice was provided on the drafting of the LBHI settlement agreement, to ensure no adverse tax consequences would arise from the executed settlement.

VAT

- The August and November 2011 VAT returns have been submitted to HMRC and preparation work has commenced on the February 2012 VAT return which will be submitted to HMRC after the end of the report period; and
- HMRC have paid VAT refunds due to the Group for the May and August 2011 quarterly VAT returns. Total VAT repayments received to date on behalf of the Group since the start of the Administration amount to £62.3m.

PAYE

- The HR and Tax teams are continuing with the reconciliations of pre-appointment PAYE and other employment tax for the previous six years. To date, 97% has been reconciled. Post completion, the HR and Tax teams will assist HMRC to quantify their unsecured claim in the Administration.

Issues and challenges

Tax repayments

- The main challenge, to obtain timely repayments of corporation tax from HMRC, has to a large extent been overcome in the period. To date all but three of the tax repayments have been received; and
- HMRC will look to apply Crown set-off to the remaining three repayments in respect of its claims for pre-administration PAYE and other employment tax. Regular dialogue with HMRC will be required to ensure all outstanding tax issues have been addressed in order for the release of the net repayments to be made.

Over the next six months the Tax team will focus on the following areas:

- Proactive discussion with HMRC to finalise the pre-appointment unsecured claim relating to employment tax;
- Preparation and submission to HMRC of the remaining 2009/2010 tax computations along with the 2011 Group tax returns;
- Continued regular correspondence with HMRC to ensure refunds VAT are paid on a regular basis; and
- Working with HMRC to finalise the reconciliation of the pre-appointment unsecured claim for employment tax liabilities, and progressing with HMRC other employment tax related issues.

2.4 Intercompany

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. LBL has a high concentration of its overall Affiliate debtor balances (c. £1.1bn) in just 5 relationships. In addition LBL held guarantees from LBHI in respect of some claims against other group companies.

Progress

The Intercompany team has continued to make progress on a number of significant receivable balances;

- On 24 October 2011 the UK Affiliates, including LBL, executed a settlement agreement with Lehman Brothers Holdings Inc ('LBHI') and the other Affiliates in US Chapter 11 proceedings ('the US Estates'), which became fully operational and binding on 6 March 2012 when their Plan of Re-organisation became effective. Pursuant to the agreement, 10 of the US Estates have now admitted unsecured claims from LBL totalling c. $367m. The total recovery from these claims is uncertain but, based on the most recent estimates available from the US, is anticipated to be in the region of $55m. The US Affiliates anticipate making their first distributions to unsecured creditors in April 2012, but the exact timing and quantum of such payments are not yet known;

- Also pursuant to the settlement agreement with the US Estates, Lehman Brothers Luxembourg Investments SARL ('LBLIS') has agreed LBL's unsecured creditor claim in the sum of $225m and the principal US creditor of LBLIS has agreed to subordinate its claim behind LBL's. The quantum of any recovery from this claim remains contingent on the recovery LBLIS makes on its intercompany receivable balances;

- There is ongoing discussion with the Liquidators of LB ODC 3 Ltd and LBL has submitted a revised claim for £20.6m. The dividend ultimately payable by LB ODC 3 Ltd will largely depend on realisations in that company from other group companies in Administration;

- A settlement was agreed with LB Services India Private Company and certain other related entities, ('LBS India'), regarding LBL's claim and a final payment has been received;

- LBL's largest claim, for c. $1.2bn, is against Lehman Brothers Holdings Plc ('LBH Plc'), which is in Administration. LBH Plc has cash assets of c. £45m, and a possibility of some significant additional recoveries. LBL's overall recovery from LBH Plc remains difficult to assess at this stage; and

- Settlement of LBL's receivable balance from Capstone Limited has been accelerated and the balance has now been paid in full. £3.7m was received in the period of this progress report.

The Intercompany team continues to proactively progress more than 100 smaller LBL Affiliate balances (out of c. 250 identified at the commencement of the Administration) where there remains a reasonable prospect of future realisations, including engaging with the US Estates in relation to balances with smaller entities controlled by them and which are not subject to Chapter 11 or other insolvency proceedings.

Issues and challenges

Affiliate relationships are complex given the multiplicity of locations and arrangements between Affiliates. LBL provided multiple services to Affiliates under various legal agreements including staff, premises and other expense recharges. LBL has also provided services to Affiliates in circumstances where a formal agreement had not been entered into, this lack of formality creating additional requirements for clarification when seeking to recover monies due.

The recovery of LBL intercompany debts is also contingent on the recovery of assets in LBL's Affiliate debtors.

Good progress has been achieved in the period of this progress report and much of the groundwork required for collection has been completed. However, there remain a significant number of issues to resolve and collection of the intercompany balances remains a long term process.

2.5 Affiliate company relationships

Overview

LBL's policy on providing data to overseas Lehman Affiliates has not changed. Providing appropriate agreements are in place to manage its risks and to enable the costs, including a contribution to overheads, to be recovered, LBL will seek to meet the request.

Whilst overseas Lehman Affiliates do continue to make requests for data from LBL, the known structured (application) requests are now virtually complete, and whilst one significant unstructured (email) request remains work in progress, new unstructured requests are becoming much more infrequent.

Only LBHI and LBB still have ongoing contracts in place. Any ad-hoc requests made by other Lehman Affiliates are dealt with under the same principles on a request by request basis.

Progress

LBHI and LBB have now received full downloads of their data from the applications they specified. Whilst the occasional query might still arise, it is considered unlikely that there will any need for further structured requests unless in connection with future litigation. Similarly most of the known requests for unstructured data have been fulfilled but future requests for unstructured data are considered more likely, albeit at a much reduced rate.

Both LBHI and LBB have agreed alterations to their contracts with LBL during the period.

LBHI

The two-way Services Agreement with LBHI currently extends to 16 December 2012. Within that agreement the provision of structured requests and the access to 9 applications, were due to expire on 31 December 2011, but these services have been extended by agreement to 30 June and 16 December 2012 respectively. The ability for either party to seek unstructured data from the other continues until the Service Agreement expires.

During the period of this progress report LBHI has been invoiced a further £2.3m under the Services Agreement.

LBB

The Scoping and Provision of Data Agreement with LBB is only one-way (i.e. LBL to LBB) and covers structured and unstructured data, including a significant search of hardcopy archives. During the period the contract has been extended from a 31 December 2011 termination date to 30 June 2012. The structured requests have been fulfilled, but a significant effort is still required to review, approve for release and provide the selected hardcopy documents, and also the remaining unstructured request part of which still requires precise definition.

During the period LBB has been invoiced a further £1.3m for these services.

Issues and challenges

Even though the volumes of affiliate data now being released are somewhat reduced, the risks to the estate of improper disclosure remain, and still need to be managed. In addition, there are technical difficulties to be overcome relating to the extraction from archive of older unstructured data.

A further challenge is to keep the necessary expertise within a much reduced Affiliate Data Request team, at a time when demand is reducing and the competition from other technical demands within the estate is high. The formation of a Data Services Group within the UK Lehman estate is already assisting with the achievement of that objective.

2.6 Recharges

Overview

LBL acted as a service company, holding contracts and making payments to employees and suppliers for services that enable the other Lehman Administration Companies to perform their functions, but which do not necessarily directly benefit LBL on a standalone basis.

The priority upon appointment was to establish and implement a cost recharge agreement to provide LBL with a contractual entitlement to recover its outgoings from other Group companies.

Under the cost recharge agreement, LBL is reimbursed for payroll costs relating to any employee paid by LBL, who has worked for a Group company. The identity of the Group company concerned is determined by reference to the objectives agreed with each employee and which refer to the various work-stream activities being undertaken.

As a continuing process and particularly following the move from 25 Bank Street into 25 Canada Square in March 2010, liability for building, occupancy and operational costs, which account for all non-payroll costs, has been transferred from LBL to LBIE. Contracts have been transferred to LBIE and it has agreed to meet all contractual costs directly. As a result, the cost recharge mechanism is now only applied to payroll costs.

Progress

As explained in our last progress report, we have finalised many aspects of the cost recharge mechanism, and the accounts for this have effectively been closed as at 14 September 2011. A small surplus held in relation to the cost recharge mechanism will continue to be held by LBL to cover costs which remain to be finally agreed and discharged and we continue to expect the final position to broadly neutral.

A separate accounting framework was established from September 2011 to control and record payroll costs and associated recharges, and during the period this control was enhanced with the opening of a new bank account specifically established for payroll costs. This ensures that payroll costs are pre-funded in order that LBL is not exposed to any credit risk. In the six months to 14 March 2012, total receipts under the cost recharge agreement amounted to £54.6m. Total receipts under the cost recharge agreement, including an element of third party receipts, now stands at £665m.

Section 3 Statutory and other Information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court - Case 7945 of 2008
Full name:	Lehman Brothers Limited
Trading name:	Lehman Brothers Limited
Registered number:	846922
Registered address:	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
Company directors:	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)
Company secretary:	M Smith, P Dave, ESE Upton (all resigned 25/01/2010)
Shareholdings held by the directors and secretary:	None of the directors own shares in LBL
Date of the Administration appointment:	15 September 2008
Administrators' names and addresses:	AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, 7 More London Riverside, SE1 2RT
Appointer's name and address:	High Court of Justice, Chancery Division, Companies Court
Objective being pursued by the Administrators:	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).
Division of the Administrators' responsibilities:	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.
Details of any extensions of the initial period of appointment:	The Court has granted an extension of the Administration to 30 November 2013.
Proposed end of the Administration:	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
Estimated dividend for unsecured creditors:	It is too early to estimate the likely dividend for unsecured creditors.
Estimated values of the prescribed part and LBL's net property:	There is no qualifying floating charge holder, so there will be no prescribed part.
Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:	Not applicable as there is no prescribed part.
The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):	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 £1,973,883 which comprises 7,510 hours at an average hourly rate of £262.82 in respect of the period 1 June 2011 to 31 October 2011.

Remuneration approved by the Committee includes £1,159,575 for work performed for and recoverable from Affiliate companies.

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

Global Grade	Total hours	Total (£)
Partner	45	40,329
Director	147	130,277
Senior Manager	861	382,893
Manager	804	318,849
Senior Associate	3,293	756,222
Associate	2,360	345,313
Total	**7,510**	**1,973,883**
Less work recoverable from Affiliate companies		(1,159,575)
Net charge to LBL		**814,308**

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 six-month period from 15 September 2011 to 14 March 2012 the Administrators drew remuneration of £3,230,240, which includes disbursements of £316,099.09, and represents the balance of undrawn costs for the period 1 June 2011 to 31 October 2011, as approved by the Committee, and 75% of our time costs on account for the period 1 November 2011 to 31 January 2012.

Part of the net charge to LBL reported in previous periods relates to work on corporation tax and VAT issues on behalf of the Group and has been partially recovered from other Group companies in this and earlier periods. In addition, the disbursements drawn in the six month period from 15 September 2011 to 14 March 2012 have been fully recovered from Affiliate companies.

It is likely that current levels of activity will be sustained for some time and the Administrators therefore expect that these costs will continue to accrue at a similar rate over the coming months.

Section 5 Receipts and Payments to 14 March 2012

Amount in millions	GBP	EUR	USD	CHF	As at 14 Mar 2012 Total in GBP	As at 14 Sep 2011 Total in GBP	Movement
Receipts							
Contribution from third parties *	140.3	0.6	11.3	-	148.0	146.1	1.9
Building recharge receipts	129.4	-	-	-	129.4	129.0	0.4
Payroll recharge receipts	409.5	0.1	57.1	-	445.9	391.7	54.2
Other (including realisations and payments for other companies)	101.3	2.3	9.8	0.2	109.5	89.6	19.9
Tax related receipts	437.7	-	-	-	437.7	192.0	245.7
VAT received on invoices	7.0	-	-	-	7.0	7.0	-
Total receipts for period	**1,225.2**	**3.0**	**78.2**	**0.2**	**1,277.5**	**955.4**	**322.1**
Payments							
Building and occupancy costs	(178.5)	(0.3)	(62.8)	-	(218.7)	(218.2)	(0.5)
Payroll and employee costs	(426.1)	(2.8)	(45.2)	-	(457.2)	(402.6)	(54.6) **
Other costs and payments	(55.0)	(0.2)	(1.2)	-	(56.0)	(39.3)	(16.7)
Other advisors' costs	(1.3)	-	-	-	(1.3)	(1.3)	-
Legal fees	(9.7)	-	-	-	(9.7)	(9.4)	(0.3)
Administrators' fees	(15.0)	-	-	-	(15.0)	(11.7)	(3.3)
Return of Corporation Tax to group companies	(256.0)	-	-	-	(256.0)	(144.8)	(111.2)
VAT paid as group representative	(73.4)	-	-	-	(73.4)	(21.5)	(51.9)
VAT paid on invoices	(7.8)	-	(1.4)	-	(8.7)	(8.3)	(0.4)
Intercompany transfer	(1.5)	-	-	-	(1.5)	(1.5)	-
Total payments for period	**(1,024.3)**	**(3.3)**	**(110.6)**	**-**	**(1,097.5)**	**(858.6)**	**(238.9)**
Inter-currency transfers							
Receipts from inter-currency transfers	11.5	2.7	57.8	-	50.6	47.8	2.8
Payments from inter-currency transfers	(31.1)	(2.4)	(25.4)	(0.2)	(49.3)	(46.7)	(2.6)
Net inter-currency transfers	**(19.6)**	**0.3**	**32.4**	**(0.2)**	**1.3**	**1.1**	**0.2**
Net cash position	**181.3**	**-**	**-**	**-**	**181.3**	**97.9**	**83.4**
Bank balances							
HSBC	9.7	-	-	-	9.7	4.1	5.6
Money Market Funds	171.6	-	-	-	171.6	93.8	77.8
Net bank balance	**181.3**	**-**	**-**	**-**	**181.3**	**97.9**	**83.4**

* Includes elements of building & occupancy and payroll related recharges
**Includes £0.2m of payroll costs not recharged to other entities

GBP £ equivalent is for information purposes only.
Rates used for conversion are those published in the Financial Times:

14 March 2012	14 September 2011
1 USD = 0.6333 GBP	1 USD = 0.6333 GBP
1 EUR = 0.8686 GBP	1 EUR = 0.8686 GBP
1 CHF = 0.7215 GBP	1 CHF = 0.7215 GBP

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