
Joint Administrators' progress
report for the period 23 March 2017
to 22 September 2017

*Lehman Brothers
Europe Limited
(in administration)*

13 October 2017

High Court of Justice, Chancery Division,
Companies Court

Case 8243 of 2008

Contents

<i>Section 1</i>	<i>Abbreviations and definitions</i>	<i>1</i>
<i>Section 2</i>	<i>Purpose of the Administrators' progress report</i>	<i>2</i>
<i>Section 3</i>	<i>Administrators' actions to date</i>	<i>4</i>
<i>Section 4</i>	<i>Statutory and other information</i>	<i>6</i>
<i>Section 5</i>	<i>Financial information</i>	<i>7</i>
<i>Section 6</i>	<i>Receipts and payments account</i>	<i>10</i>
<i>Section 7</i>	<i>Statement of expenses</i>	<i>11</i>
<i>Section 8</i>	<i>Summary of the Administrators' work</i>	<i>12</i>

Section 1 Abbreviations and definitions

The following table shows the abbreviations and insolvency terms used in this report.

Abbreviation or definition	Meaning
“Administrators”	DY Schwarzmann, AV Lomas, SA Pearson and JG Parr
“Administration”	LBEL’s administration
“Committee”	LBEL’s creditors’ committee
“Company” or “LBEL”	Lehman Brothers Europe Limited (in administration)
“Contribution Claim”	Claim from LBIE pursuant to Section 74 IA86 arising from LBL’s shareholding in LBIE
“Court”	High Court of Justice
“Firm”	PricewaterhouseCoopers LLP
“Group”	Lehman Brothers UK group
“HMRC”	HM Revenue & Customs
“IA86”	Insolvency Act 1986
“IR16”	Insolvency Rules 2016
“LBIE”	Lehman Brothers International Europe (in administration)
“LBH”	Lehman Brothers Holdings Plc (in administration)
“LBHI”	Lehman Brothers Holdings Inc.
“LBL”	Lehman Brothers Limited (in administration)
“M&A”	Mergers and Acquisitions
“Period”	The six months from 23 March 2017 to 22 September 2017
“Proposals”	The Administrators’ statement of proposals for achieving the purpose of the Administration, dated 14 November 2008
“Sch.B1 IA86”	Schedule B1 to the Insolvency Act 1986
“SIP”	Statement of Insolvency Practice
“unsecured creditors”	Creditors who are neither secured nor preferential
“VAT”	Value Added Tax
“WHT”	Withholding tax

Section 2 Purpose of the Administrators' progress report

Introduction

This is the 18th progress report by the Administrators of LBEL.

Creditors should have received the Proposals which were approved at a meeting of creditors held on 1 December 2008. Creditors should also have received the Administrators' previous 17 progress reports. If any creditor requires copies of the Proposals or these reports, these are available on the Administrators' website at <http://www.pwc.co.uk/business-recovery/administrations/lehman/lehman-brothers-europe-limited-in-administration.jhtml>. Alternatively, please contact Nigel Rackham at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.

This report provides an update on the work that the Administrators have undertaken with particular focus on developments in the Period.

This report is for your information and you do not need to do anything.

Business activities

The Company's principal activity before the Administrators' appointment was the provision of investment banking services such as advising on M&A transactions.

LBEL utilised employees from LBL and operated from the Group's former premises at 25 Bank Street, London, E14 5LE.

Objectives of the Administration

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

The specific aims of the Administration are to:

- Protect and manage LBEL's assets;
- Realise these assets; and
- Agree creditors' claims and pay dividends as funds permit.

Committee

The Committee was formed on 5 May 2009 and presently has the following members:

- Lehman Brothers Commercial Services;
- LBH;
- Thomas Marsoner; and
- John Wakely.

The Administrators have met with the Committee 16 times, having last met in May 2017, and have consulted with it on an ad-hoc basis on certain issues.

The Administrators will continue to manage the Administration in accordance with the Proposals and in consultation with the Committee.

Interim distributions and outcome for creditors

As reported in previous progress reports, the Administrators have paid dividends totalling 100 pence in the pound on admitted claims.

During the Period, the Administrators have been able to make further distributions to unsecured creditors in respect of statutory interest on those admitted claims at a simple rate of 8% per annum. Please refer to Section 3 for further details.

Extension of the Administration

Upon the application of the Administrators, the Court made an order on 5 November 2015 extending the period of the Administration to 30 November 2019.

Creditors and their rights

If you are a creditor and have not already done so, please submit a claim form as soon as possible. A claim form can be downloaded from our website at <http://www.pwc.co.uk/business-recovery/administrations/lehman/lehman-brothers-europe-limited-in-administration.jhtml>. or you can request one via email at lbel.claims@uk.pwc.com or write to Nigel Rackham at PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.

Creditors have the right to ask for more information within 21 days of receiving this report as set out in IR16 Rule 18.9. Any request must be in writing to the address detailed above.

Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



D Y Schwarzmans
Joint Administrator
Lehman Brothers Europe Limited

DY Schwarzmans, AV Lomas, SA Pearson and JG Parr were appointed as Joint Administrators of Lehman Brothers Europe Limited to manage its affairs, business and property as its agents without personal liability. The Joint Administrators 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.

Section 3 Administrators' actions to date

Progress to date

The key outstanding matters and developments in the Period are described below.

Debtor Claims

a) LBHI and its US debtor affiliates

LBEL, in conjunction with other UK affiliates, reached a final settlement agreement with LBHI and its US debtor affiliates in Chapter 11. This agreement became fully binding and operational on 6 March 2012. As a result, LBEL has received a total of \$9.7m in dividends from LBHI and its US debtor affiliates, including \$0.3m received during the Period.

b) LBL

In October 2014, the Company made a claim against LBL in the sum of £447m. During the Period, as part of the settlement of the Waterfall III proceedings described below, LBEL's claim into LBL was irrevocably and unconditionally admitted in the LBL Administration in the amount of £282.2m. LBL has now declared a dividend of 100p in the £ and £282.2m was received in the Period.

c) Other Debtors

LBEL does not expect to submit any further inter-company claims.

The Company continues to receive dividends on previously agreed claims, including £67k in the Period.

The timing and quantum of future distributions from debtor claims remain uncertain.

Creditor claims

As outlined in the 17th progress report, the only material creditor claim that remained to be resolved at that time was the claim submitted by LBL for £4.9bn (net), which included the following items:

1. £4.5bn relating to the recharge of the Contribution Claim;
2. £399m relating to the recharge of a projected shortfall on inter-company receivables owed to LBL by other Lehman companies;

3. £22m relating to the recharge of a proportion of the costs of LBL's administration; and
4. £180m in respect of the recharge of a third party landlord claim.

In the previous reporting period, LBL's claim numbered 4 above was settled and the recharge has since been substantially reduced.

The 17th progress report also explained that proceedings known as Waterfall III were under way which, amongst other things, sought direction from the Court in respect of the first three elements of LBL's claims above against both LBEL and LBIE.

During the Period, and after extensive negotiations, the Waterfall III proceedings were settled, with the settlement documents being finalised and executed in August 2017.

As part of the terms of the settlement, LBL and the LBL Administrators irrevocably and unconditionally released and forever discharged LBEL and the LBEL Administrators from the claim referred to above and agreed that the claim made would be withdrawn. Additionally, as mentioned above, the settlement provided for LBEL's net claim against LBL to be admitted in the sum of £282.2m.

Distributions to creditors

On 6 September 2017, immediately following the settlement, the Administrators declared a distribution of £37.4m (less WHT of £7.5m - see Taxation section for further details) in respect of statutory interest at 8% per annum to the unsecured creditors whose claims had been admitted for dividend purposes.

During the Period the Supreme Court ruled that creditors are unable to claim for losses arising from conversion of their claims into GBP as required by UK insolvency law (known as "currency conversion claims"). Consequently, the issue of currency conversion claims and the need to maintain reserves for such claims has now fallen away.

Proceedings in the LBIE administration known as Waterfall II tranche A, sought direction on whether distributions paid to unsecured creditors should be treated as having first discharged accrued post-administration interest rather than the capital amount of the claim (known as the Bower v Marris approach). An amount has been reserved for potential additional interest payments that would be

payable if the Bower v. Marris approach were to be upheld by the Court, whilst a final decision in the Waterfall II tranche A proceedings is awaited.

Surplus

The Administrators had previously announced that they anticipated that, on completion of the settlement, LBEL would be in a position to make certain distributions to its creditors, with a surplus then being immediately available to be distributed to LBEL's sole shareholder, LBH.

Under the Insolvency Act 1986, Administrators do not have the power to make shareholder distributions. However, as it was considered to be in the best interests of all parties for a shareholder distribution to be effected whilst LBEL remained in Administration, an application was submitted to the Court setting out various options for effecting such a distribution to LBH.

In August 2017, the Court took the step of issuing directions permitting the Administrators to appoint a director and sanction the declaration by that director of a dividend to LBEL's shareholder (LBH), whilst LBEL remained in Administration.

Accordingly, in September 2017, a director was appointed to LBEL and a capital reduction effected in order to make available the necessary funds to facilitate the declaration of a shareholder dividend of £374.7m.

Taxation

All corporation tax returns up to and including the year ended 5 October 2015 have been agreed by HMRC. The corporation tax return for the year ended 5 October 2016 has been drafted and will be submitted shortly.

The Finance (number 2) Act 2017, includes draft legislation in respect of changes to corporation tax loss relief. The Bill is expected to be enacted in November or December 2017 but the new loss relief rules will apply from April 2017. This new legislation may affect the utilisation of LBEL's losses carried forward. LBEL has £6m of tax losses carried forward as at 5 October 2016.

In the period, tax analysis was performed regarding the tax implications of the settlement with LBL and other Lehman affiliates, including analysis of LBEL specific tax issues. Consideration was also given to the accounting treatment of the settlement, calculation of the resulting tax provision, as well as a review of the creditor base and the corresponding WHT position.

The current uncertainty with regard to WHT has led to an amount of £7.5m being held back from the total statutory interest payment of £37.4m made in September 2017. The £7.5m held back represents the total income tax which would be due to HMRC if the Court finds that income tax is required to be deducted from payments of statutory interest. The Administrators may retain the WHT provision until such time as the deduction of income tax from payments of statutory interest is finally decided by the Court.

The Administrators have met their obligations under the Senior Accounting Officer legislation and submitted the 2016 certificate and notification and complied with their obligations regarding the publication of the Lehman group Tax Strategy. The Administrators have also adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards and have considered their obligations under the new Corporate Criminal offences rules which came into effect in September 2017.

To date, VAT totalling £3.3m has been repaid to LBEL, including £105k in the Period in relation to the November 2016 and February 2017 VAT returns. The February 2017 and May 2017 VAT returns were submitted in the Period, with the latter showing a VAT repayment of approximately £79k due. This is yet to be received from HMRC. In the Period, work commenced to prepare the return for the August 2017 quarter.

Investigations and actions

Nothing has come to the Administrators' attention during the Period to suggest that they need to do any more work in line with their duties under the Company Directors' Disqualification Act 1986 and SIP 2.

Future strategy

The Administrators will:

- Deal with any remaining unsettled claims;
- Work closely with HMRC to resolve the treatment of WHT on distributions of statutory interest; and
- Monitor the position in relation to the Waterfall II litigation as it relates to the Bower v Marris approach to interest calculations.

Section 4 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8243 of 2008.
<i>Full name:</i>	Lehman Brothers Europe Limited.
<i>Trading name:</i>	Lehman Brothers Europe Limited.
<i>Registered number:</i>	03950078.
<i>Registered address:</i>	7 More London Riverside, London, SE1 2RT.
<i>Date of the Administration appointment:</i>	23 September 2008.
<i>Administrators' names and addresses:</i>	DY Schwarzmann, AV Lomas, SA Pearson 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 directors.
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LBEL's creditors as a whole than would be likely if LBEL were wound up (without first being in administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to Paragraph 100(2) Schedule B1 of the IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by any or all of the 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 five successive extensions to the Administration period being to 30 November 2010, 30 November 2011, 30 November 2013, 30 November 2015 and 30 November 2019.

Section 5 Financial information

Administrators' remuneration

The manner in which the Administrators' remuneration is determined and approved is set out in the Rules.

There are three bases of remuneration under IR16, being:

- A percentage of the value of the property with which the Administrators have to deal;
- By reference to the time properly given by the insolvency practitioner and his staff in attending to matters arising in the Administration; and
- As a set amount.

IR16 also provide that in arriving at its decision on remuneration the fee approving body 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 have carried out, their duties; and
- The value and nature of the property with which the Administrators have to deal.

In October 2008 a Court order authorised the Administrators, subject to ratification by the Committee, to draw remuneration of 75% of the time costs incurred at the time of the application, being £2.8m including VAT. At a meeting held by correspondence on 20 February 2009, the creditors resolved to form a Committee whose duties would include approving the basis and quantum of the Administrators' remuneration.

The Committee did not agree that the Administrators' remuneration be fixed on a time cost basis, but instead the Committee resolved that the Administrators' remuneration be fixed at 5% of the value of the property with which the Administrators have to deal. The Administrators were authorised to draw such remuneration as and when realisations became available.

On 19 May 2017, the Administrators agreed to restrict their remuneration and shall be entitled to

receive remuneration of 5% of cash received up to £280m from the date of that agreement.

In addition, it was agreed that the Administrators shall be entitled to receive fees of 2.5% of cash received above £280m from the date of the agreement, up to a maximum amount of £3.5m.

To date, remuneration of £37.15m (excluding VAT) has been drawn including £13.85m in the Period.

SIP 9

In addition to IR16, SIP 9, issued by the Joint Insolvency Committee, provides guidance to insolvency practitioners in relation to the disclosure of payments to insolvency office holders and their associates.

The purpose of SIP 9 is to set out the principles and key compliance standards with which insolvency practitioners are required to comply with regard to the provision of information to creditors and other interested parties who have a financial interest in the level of office holders' remuneration, disbursements and expenses paid from an insolvent estate.

In accordance with SIP 9, which was revised with effect from 1 December 2015, Section 8 of this report shows a summary of the work undertaken by the Administrators in the Period and, to the extent that is not prejudicial to the Company's interests, the expected future work the Administrators are to carry out to achieve the purpose of the Administration.

Relationships

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

Disbursements

The Administrators are not required to seek approval to draw expenses or disbursements unless they are for shared or allocated services provided by their Firm, including room hire, document storage, photocopying and 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 parties which approve the Administrators' fees.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance.

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

A total of £52 in Category 2 disbursements and £102 in Category 1 disbursements were incurred during the Period.

Creditors' rights

Creditors can challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

A free copy can be obtained from the Administrators by sending an email to lbel.claims@uk.pwc.com.

Receipts and payments account

An account of the receipts and payments for the six months to 22 September 2017, and a cumulative total since commencement of the Administration, is set out in Section 6.

Significant receipts in the Period include:

- £282.2m in relation to settlement of the LBL claim;
- £0.3m in relation to dividends from various affiliates, including payments from LBHI as stated in Section 3; and
- £0.2m in relation to interest earned on funds invested.

Significant payments in the Period (inclusive of VAT) include:

- £374.7m in relation to the dividend payment to LBH;
- £29.9m (net of WHT) in relation to statutory interest payments to unsecured creditors;
- £1.1m in respect of legal fees; and
- £16.6m in respect of Administrators' fees.

Total cash held as at 22 September 2017 was approximately £137m (GBP equivalent).

As advised earlier in the Administration, all of the Company's assets are uncharged, and there are therefore no secured creditors.

The receipts and payments account does not show estimated to realise values from the directors' statement of affairs as this would not provide a meaningful comparison with actual asset recoveries.

Investments

All the Company's funds as detailed in Section 6 are currently invested in money market deposits, except for a nominal amount held at bank to fulfil ongoing working capital requirements. Funds are converted into GBP to avoid any currency risk exposure.

The Administrators' expenses

Expenses are amounts properly payable by the Administrators from the estate including fees but excluding distributions to creditors. A statement of LBEL's expenses for the Period is set out in Section 7.

In addition to expenses paid in the Period shown in the receipts and payments account, the Administrators incurred expenses of £72,372 plus VAT in respect of outstanding legal fees, which have not yet been paid.

Subcontracted work

LBEL has contracted out tax compliance to the Lehman finance team whose employer is LBIE. This work has been subcontracted because it is more cost efficient than if the Administrators were to do it themselves.

Legal firms

The Administrators have instructed Linklaters LLP to act as their legal advisors in the Period because of their prior knowledge of LBEL. Linklaters LLP is remunerated on a time-cost basis.

All third-party professionals are required to submit a detailed time-cost analysis and narrative in support of all invoices rendered.

The Administrators have satisfied themselves that the level of legal and professional costs is appropriate.

Section 6 Receipts and payments account

RECEIPTS	As at 22 September 2017			As at 22 September 2017 TOTAL GBP equivalent £	Movements 23 March 2017 to 22 September 2017 (GBP equivalent) £	As at 22 March 2017 (GBP equivalent) RESTATED at 22 September 2017 exchange rate £	As at 22 March 2017 (GBP equivalent) £
	GBP (£)	US (\$)	EUR (€)				
	000s	000s	000s				
Book debts	4,162	20,076	21,373	37,913	272	37,641	38,465
LBL claim	282,200	-	-	282,200	282,200	-	-
GMRA settlement agreement proceeds	371,589	-	-	371,589	-	371,589	371,589
Interest	4,789	34	110	4,911	159	4,752	4,752
Corporation tax repayment	48,443	-	-	48,443	-	48,443	48,443
VAT repayment	3,328	-	-	3,328	106	3,222	3,222
Foreign currency conversions*	30,540	-	1,541	31,903	225	31,678	31,649
Receipts Grand Totals	745,051	20,110	23,024	780,287	282,962	497,325	498,120
PAYMENTS							
Employee costs	6,082	80	67	6,199	15	6,185	6,189
Building and occupancy costs	952	-	-	952	-	952	952
Legal fees	4,489	240	-	4,666	1,041	3,625	3,640
Tax function costs	350	-	6	356	-	355	355
Payment for group relief losses	4,925	-	-	4,925	-	4,925	4,925
Distribution to unsecured creditors	117,770	-	2,677	120,138	29,919	90,219	90,168
Distribution to shareholder, LBH	374,645	-	-	374,645	374,645	-	-
Pension settlement	50,418	-	-	50,418	-	50,418	50,418
Administrators' remuneration**	44,434	-	-	44,434	16,620	27,814	27,814
Administrators' disbursements	39	-	-	39	-	39	39
Investment management charges	2,433	-	-	2,433	-	2,433	2,433
Foreign currency conversions*	1,250	19,762	20,165	33,700	207	33,493	34,322
Payments Grand Totals	607,787	20,082	22,915	642,905	422,447	220,458	221,255
NET POSITION	137,264	28	109	137,382	(139,485)	276,867	276,865
CASH BALANCES							
HSBC	12,388	28	109	12,506			
Barclays	35	-	-	35			
Money markets	124,841	-	-	124,841			
Total Cash	137,264	28	109	137,382			

Exchange rate as at 22 March 2017

US\$ 1 : GBP	0.8015
EURO €1 : GBP	0.8657

Exchange rate as at 22 September 2017

US\$ 1 : GBP	0.7393
EURO €1 : GBP	0.8847

Amounts include VAT where applicable

* The difference in total GBP equivalents arises from converted sums being restated at exchange rates as at the end of each reporting period. No actual gains/losses on currency were made in the Period.

** This amount includes £2.76m that had previously been paid by another Lehman Group company on behalf of LBEL.

Section 7 Statement of expenses

	Brought forward as at 23 March 2017 GBP (£) 000s	Incurred in the period under review GBP (£) 000s	Cumulative to 22 September 201 GBP (£) 000s	Estimated future GBP (£) 000s	Anticipated total GBP (£) 000s
Employee costs	6,185	24	6,209	36	6,245
Building and occupancy costs	952	-	952	-	952
Legal	4,457	317	4,774	210	4,984
Tax function costs	355	-	355	-	355
Payment for group relief losses	4,925	-	4,925	-	4,925
Pension settlement	50,418	-	50,418	-	50,418
Administrators' remuneration	27,814	16,620	44,434	*-	44,434
Administrators' disbursements	54	-	54	1	55
Investment management charges	2,433	-	2,433	-	2,433
Expenses Total	97,593	16,961	114,554	247	114,801

Amounts include VAT where applicable

*See note on page 15

Section 8 Summary of the Administrators' work

Work carried out in the Period

Whilst this is not an exhaustive list, the key areas of work have been as follows:

Accounting and treasury

The Administrators' statutory duties include managing the affairs, business and property of the Company and keeping proper books and records. The work undertaken in this area was necessary in order to pay Administration expenses, to maintain the books and records of LBEL and to ensure that funds invested are maximised at minimum risk. Approximately £0.2m in interest on funds invested was received in the Period:

- Processing statutory interest payments to unsecured creditors;
- Facilitating the shareholder dividend to LBH;
- Processing other receipts and payments in various currency accounts;
- Performing bank account reconciliations for all bank accounts;
- Exploring investment strategies to maximise returns on the invested funds of £276m held on deposit for the majority of the Period;
- Monitoring of credit limits and counterparty credit ratings, credit default swap prices and market capitalisation to minimise risk;
- Moving deposits between counterparties when credit limits or counterparty credit ratings are not in line with the investment strategy;
- Ensuring deposits are repaid from counterparty banks on the correct value date;
- Preparing and reviewing the receipts and payments reports, authorising all payments and reviewing and managing cashflow;
- Producing monthly management and ad hoc reporting; and
- Investigating future investment options.

Claims due to and from LBEL

The Administrators have a duty to act in the best interests of all creditors. It is an objective of the Administration to realise assets and distribute funds to unsecured creditors with admitted claims:

- Pursuing the Waterfall III proceedings and negotiating settlement terms and drafting and reviewing draft settlement agreements with LBL and other Lehman affiliates;
- Calculating creditors' entitlements to post-Administration statutory interest and considering how potential issues such as currency conversion claims and Bower v Marris claims would be dealt with;
- Distributing statutory interest on admitted creditor claims;
- Considering and adjudicating any additional claims received;
- Settling or withdrawing the Company's claims against other parties;
- Liaising extensively with other Lehman affiliates in respect of the inter-company claims submitted by LBEL; and
- Updating the debtor schedule as and when required.

Strategy and planning

The Administrators are required by statute to perform their functions as quickly and efficiently as possible. The activities undertaken in the Period were necessary to resolve outstanding matters in line with the purpose of the Administration to achieve a better outcome for creditors than would be the case if the Company went into liquidation (without first being in administration):

-
- Consulting with the shareholder to discuss strategy;
 - Meetings with legal advisors to consider the Waterfall I and Waterfall III proceedings;
 - Obtaining directions from Court with respect to effecting a shareholder distribution to LBH including review of all supporting paperwork and attending Court hearings;
 - Liaising with the LBEL director in respect of the distribution to the shareholder;
 - Reviewing enquiries from members of the Committee and consulting with legal advisors where necessary;
 - Setting and agreeing the strategy for the estate including regular team meetings; and
 - Preparing detailed status updates for the Administrators to review strategy and key issues.

Statutory and compliance

The work in this area was necessary in order for the Administrators to comply with regulatory requirements or statute:

- Preparing and finalising the 17th progress report and circulating to all creditors;
- Ensuring Administrators' statutory obligations are discharged;
- Ensuring that time recording is properly managed and reviewed;
- Preparing the budget for future Administration costs; and
- Updating the compliance database and the Administrators' internal databases.

Tax and VAT compliance

This work is required by statute. Tax losses may shelter future profits, thus reducing the level of corporation tax and maximising returns to creditors. VAT refunds will increase the level of funds available for distribution:

- Tax analysis in relation to the settlement with LBL and other Lehman affiliates;
- Updating the tax provisions including in relation to the settlement deal;
- Research into WHT obligations in light of Appeal Court Hearing. Liaison with HMRC in respect of pragmatic way forward;
- Ongoing review of tax controls within the Lehman group to ensure compliance with the Senior Accounting Officer ("SAO") legislation, including preparation and submittal of the SAO certification;
- Preparation of the Tax Strategy documentation for publication on behalf of the Lehman group to ensure compliance with Schedule 19 of the Finance Act (No.2.) 2016, describing the group's approach to tax risk, planning, governance and HMRC;
- Consideration of the new Corporate Criminal offences rules which enter into effect from September 2017;
- Preparing Corporation Tax return for 2016;
- Finalising the VAT reconciliations for the 2014, 2015 and 2016 VAT returns and disclosing the necessary adjustment to HMRC;
- Finalising and submitting the VAT returns for the February and May 2017 quarter ends;
- Commencing work for preparation of the August 2017 quarter end VAT return;
- Attending regular strategy meetings; and
- Tax input into the 17th progress report to creditors.

Future work

The Administrators will need to do the following work to achieve the purpose of the Administration. These activities are not exhaustive and exclude matters which are commercially sensitive.

Accounting and treasury

Work in this area may increase the returns on the funds invested and ultimately funds available for distribution, as well as managing associated risks:

- Preparing, reviewing and processing payment of post-appointment invoices;
- Reconciling post-appointment bank accounts to internal systems;
- Investing funds in accordance with the investment strategy; and
- Monitoring and reviewing invested funds.

Claims to and from LBEL

The Administrators will continue working to resolve unsettled claims so that funds currently reserved may be released for distribution to unsecured creditors (where appropriate) and to the shareholder, LBH:

- Liaising with third parties to resolve unsettled claims; and
- Adjudicating any additional claims.

Strategy and planning

The Administrators a duty to realise the assets to the best advantage and distribute the proceeds, net of costs, among creditors and shareholders according to their rights:

- Internal meetings to review and update ongoing strategy;
- Allocating tasks between team members and following up on progress;
- Seeking input from the Committee on proposed strategy as appropriate;
- If applicable, distributing further shareholder dividends to LBH;
- Liaising with the LBEL director as appropriate;
- Consulting with legal advisors as required; and
- Concluding exit route planning.

Statutory and compliance

This work is required by statute and professional regulations:

- Compliance requirements including six monthly review process;
- Preparing and circulating the Administrators' six monthly and final progress reports to creditors and meeting with the Committee from time to time; and
- Bringing the Administration to an end in line with the Proposals, including securing the Administrators' discharge from liability.

Tax and VAT Compliance

This work is required by statute. Tax losses may shelter future profits, thus reducing the level of corporation tax and maximising returns to creditors. VAT refunds will increase the level of funds available for distribution:

- Calculating and submitting corporation tax and VAT returns;
- Preparation of VAT reconciliations for VAT returns;
- Liaising with HMRC in regard to any queries;

- Complying with the Administrators' obligations as SAO and under the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards and Corporate Criminal offences rules;
- Complying with the Administrators' obligations in relation to the publication of the Lehman group Tax Strategy;
- Considering appropriate exit route planning including settlement of open tax positions; and
- Obtaining tax clearance in due course.

As stated in Section 5, the Administrators' remuneration is now fixed as a percentage of cash received. By reason of the ongoing matters detailed in Section 3 above, the Administrators are not in a position to estimate the level of future fees.



PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2017 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network.

Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.