
Joint Administrators' progress
report for the period 23 September
2018 to 22 March 2019

15 April 2019

***Lehman Brothers
Europe Limited
(in administration)***

High Court of Justice, Business & Property
Courts of England & Wales, Insolvency &
Companies List (ChD)

Case 8243 of 2008

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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, EJ Macnamara, R Downs and GE Bruce
“Administration”	LBEL’s administration
“Committee”	LBEL’s creditors’ committee
“Company” or “LBEL”	Lehman Brothers Europe Limited (in administration)
“Court”	High Court of Justice
“Firm”	PricewaterhouseCoopers LLP
“Group”	Lehman Brothers UK group
“HMRC”	HM Revenue & Customs
“IA86”	Insolvency Act 1986
“IR16”	Insolvency (England and Wales) 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 September 2018 to 22 March 2019
“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
“SAO”	Senior Accounting Officer
“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 21st progress report by the Administrators of LBEL.

Copies of the Proposals which were approved at a meeting of creditors held on 1 December 2008 or the previous 20 progress reports 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 objective of the administration is 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).

Committee

The payment of statutory interest to creditors and the subsequent payment of WHT to HMRC means that all creditors including the former Committee members have been paid in full and are therefore no longer creditors. On 20 June 2018, the Committee members were informed that their membership had therefore automatically ceased.

Distributions and outcome for creditors

As reported in previous progress reports, the Administrators have paid dividends totalling 100 pence in the pound, together with statutory interest at a simple rate of 8% per annum on admitted claims. 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. Options are being considered for when the Administration comes to an end.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/creditors-guide-administrators-fees-final.ashx?la=en>

This guide is for appointments on or after 1 November 2011 and whilst not all the provisions apply to this administration (which commenced 23 September 2008) it is the most appropriate guide currently available following the changes made by IR16.

You can also obtain a copy free of charge by telephoning Darryl Lockhart on +44 (0) 20 7583 500

Future reports

The Administrators will next report in approximately six months.

Signed:



D Y Schwarzmans
Joint Administrator
Lehman Brothers Europe Limited

DY Schwarzmans, EJ Macnamara, R Downs and GE Bruce 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 may act as Data Controllers of personal data as defined by UK data protection law depending upon specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Administrators.

*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>.*

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 \$10.4m in dividends from LBHI and its US debtor affiliates, including \$0.1m received during the Period.

b) LBL

Previous progress reports explained that LBEL's claim in the LBL Administration was admitted and paid in full in the amount of £282.2m. In the previous period £63.7m of statutory interest was received. It is possible that further statutory interest will be received although the timing and quantum are uncertain.

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 £0.1m in the Period.

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

Creditor claims

All of LBEL's creditor claims have been agreed and paid in full.

Distributions to creditors

As previously reported, all claims have been admitted for dividend purposes and have been paid in full. In addition a distribution of statutory interest at 8% per annum has been paid on these claims less applicable WHT. The WHT has been paid to HMRC.

Surplus

Should additional funds be available for distribution after necessary provisions and reserves have been

made for any prior ranking claims and costs, these will be paid to LBH.

Taxation

All corporation tax returns up to and including the year ended 5 October 2016 are closed to HMRC enquiry. The corporation tax return for the year ended 5 October 2017 has been drafted and will be submitted shortly.

New tax legislation may affect the use of LBEL's carried forward losses and the availability of losses in the wider group for group relief purposes. LBEL has £5.3m of tax losses carried forward as at 5 October 2016.

The Administrators have met their obligations under the SAO legislation and submitted the 2018 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 £5.3m has been repaid to LBEL, with £1.8m being received in the Period in relation to the August 2018 VAT return.

VAT of £204k has been received by LBL, the VAT representative member, in relation to the November 2018 VAT return and will be distributed to the Company in the near future. In the Period, work commenced to prepare the return for the February 2019 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:

- Manage any remaining asset realisations;
- Deal with any remaining reserves for costs and other matters;

-
- Submit and agree the corporation tax return for 5 October 2017 and subsequent; and
 - Where appropriate, make dividend payments to LBEL's shareholder, LBH.

Connected parties

Except where disclosed elsewhere in this report, there have been no sales or transactions with connected parties and the Company in the Period.

Section 4 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Business & Property Courts of England & Wales, Insolvency & Companies List (ChD) - 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, EJ Macnamara, R Downs and GE Bruce of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. Email: Lbel.claims@uk.pwc.com telephone: 020 7583 5000
<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, which can be used in any combination, 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 provides 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 of fees received.

To date, remuneration of £38.8m (excluding VAT) has been drawn.

During the Period, fees of £1.6m plus VAT have been drawn. As at the date of the report, there are no additional fees to be drawn.

To date, the Administrators are entitled to receive maximum fees of £2m which is in line with the 19 May 2017 agreement.

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.

No disbursements were incurred during the Period.

Receipts and payments account

An account of the receipts and payments for the six months to 22 March 2019, and a cumulative total since commencement of the Administration, is set out in Section 6.

Significant receipts in the Period include:

- £1.8m in relation to a VAT repayment;
- £0.1m in relation to dividends from various affiliates, including payments from LBHI as stated in Section 3; and
- £0.3m in relation to interest earned on funds invested.

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

- £2m in relation to Administrators’ fees.

Total cash held as at 22 March 2019 was approximately £96.6m (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 in an interest bearing current account 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. The statement excludes any potential tax liabilities that we may need to pay as an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

In addition to expenses paid in the Period shown in the receipts and payments account, the Administrators incurred expenses of £214 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

	As at 22 March 2019			As at 22 March 2019 TOTAL GBP equivalent £	Movements 23 September 2018 to 22 March 2019 (GBP equivalent) £	As at 22 September 2018 (GBP equivalent) RESTATED at 22 March 2019 exchange rate £	As at 22 September 2018 (GBP equivalent) £
RECEIPTS	GBP (£)	US (\$)	EUR (€)				
	000s	000s	000s	000s	000s	000s	000s
Book debts	4,849	20,757	21,373	38,789	96	38,693	39,784
LBL claim	345,884	-	-	345,884	-	345,884	345,884
GMRA settlement agreement proceeds	371,589	-	-	371,589	-	371,589	371,589
Interest	5,613	36	110	5,734	312	5,422	5,427
Corporation tax repayment	48,443	-	-	48,443	-	48,443	48,443
VAT repayment	5,294	-	-	5,294	1,840	3,454	3,454
Foreign currency conversions*	31,147	-	1,541	32,462	98	32,364	32,432
Receipts Grand Totals	812,819	20,793	23,024	848,195	2,346	845,849	847,013
PAYMENTS							
Employee costs	6,117	80	67	6,234	11	6,223	6,227
Building and occupancy costs	952	-	-	952	-	952	952
Legal fees	5,341	240	-	5,523	35	5,488	5,489
Tax function costs	350	-	6	356	-	356	356
Payment for group relief losses	4,925	-	-	4,925	-	4,925	4,925
Corporation Tax	7,709	-	-	7,709	2	7,707	7,707
Distribution to unsecured creditors	117,798	-	2,677	120,082	6	120,076	120,194
Distribution to shareholder, LBH	472,437	-	-	472,437	-	472,437	472,437
Pension settlement	50,418	-	-	50,418	-	50,418	50,418
Administrators' remuneration**	46,409	-	-	46,409	1,975	44,434	44,434
Administrators' disbursements	39	-	-	39	-	39	39
Investment management charges	2,433	-	-	2,433	-	2,433	2,433
Foreign currency conversions*	1,250	20,473	20,274	34,037	96	33,941	34,982
Payments Grand Totals	716,179	20,793	23,024	751,554	2,125	749,429	750,593
NET POSITION	96,641	-	-	96,641	221	96,420	96,420
CASH BALANCES							
HSBC	203	-	-	203	-	-	-
Barclays	2	-	-	2	-	-	-
Money markets	96,436	-	-	96,436	-	-	-
Total Cash	96,641	-	-	96,641	-	-	-

Exchange rate as at 22 September 2018

US\$ 1 : GBP 0.7634
EURO €1 : GBP 0.8977

Exchange rate as at 22 March 2019

US\$ 1 : GBP 0.7564
EURO €1 : GBP 0.8534

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 LBL.

Section 7 Statement of expenses

	Brought forward as at 22 September 2018 RESTATE D as at 22 March 2019 GBP (£) 000s	Incurred in the period under review GBP (£) 000s	Cumulative to 22 March 2019 GBP (£) 000s	Estimated future GBP (£) 000s	Anticipated total GBP (£) 000s
Employee costs	6,223	8	6,231	-	6,231
Building and occupancy costs	952	-	952	-	952
Legal	5,498	19	5,517	100	5,617
Tax function costs	356	-	356	-	356
Payment for group relief losses	4,925	-	4,925	-	4,925
Pension settlement	50,418	-	50,418	-	50,418
Administrators' remuneration	44,434	1,975	46,409	*-	46,409
Administrators' disbursements	55	-	55	-	55
Investment management charges	2,433	-	2,433	-	2,433
Expenses Total	115,294	2,002	117,296	100	117,396

Amounts include VAT where applicable

*see note on page 13

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 £0.3m in interest on funds invested was received in the Period:

- 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 £96m 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 and its shareholder. It is an objective of the Administration to realise assets and distribute funds to unsecured creditors with admitted claims:

- 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:

- Consulting with the shareholder to discuss strategy;
- 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 20th 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 dividends to LBEL's sole shareholder, LBH. VAT refunds will increase the level of funds available for distribution:

- Analysing and modelling in relation to the new tax rules and the tax implications of the settlements with LBL and other Lehman affiliates;
- Ongoing review of tax controls within the Lehman group to ensure compliance with the SAO legislation, including preparation and submittal of the SAO certification;
- Considering the Corporate Criminal offences rules which came into effect from September 2017;
- Preparing the Corporation Tax return for 5 October 2017;
- Preparing the VAT reconciliation for the 2018 VAT return;
- Finalising and submitting the VAT returns for the August and November 2018 quarter ends;
- Commencing work for preparation of the February 2019 quarter end VAT return;
- Attending regular strategy meetings; and
- Drafting tax input into the 20th 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

- Reconciling post-appointment bank accounts to internal systems;
- Investing funds in accordance with the investment strategy; and
- Monitoring and reviewing invested funds.

Claims due to LBEL

- Monitoring recoveries due to LBEL.

Strategy and planning

The Administrators have a duty to realise LBEL's assets:

- Internal meetings to review and update ongoing strategy;
- Allocating tasks between team members and following up on progress;
- If applicable, distributing further shareholder dividends to LBH;
- Liaising with the LBEL director as appropriate;
- Consulting with legal advisors as required;
- Considering options for when the Administration comes to an end; and
- Concluding exit route planning.

Statutory and compliance

This work is required by statute and professional regulations:

- Compliance requirements including six monthly review process; and
- Preparing and circulating the Administrators' six monthly and final progress reports to the shareholder.

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 dividends to LBEL's sole shareholder, LBH. 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.



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