
Joint Administrators' progress
report for the period 23 March 2016
to 22 September 2016

***Mable Commercial
Funding Limited
(in administration)***

21 October 2016

High Court of Justice, Chancery Division,
Companies Court

Case 8211 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
“Acenden”	Acenden Limited (formerly known as Capstone Mortgage Services Limited)
“Administrators”	DY Schwarzmann, AV Lomas, SA Pearson and JG Parr
“Administration”	Mable’s administration
“Court”	The High Court of Justice
“Eldon Street”	Eldon Street Holdings Limited (in administration)
“Firm”	PricewaterhouseCoopers LLP
“Group”	Lehman Brothers UK group
“HMRC”	HM Revenue and Customs
“IR86”	Insolvency Rules 1986
“IA86”	Insolvency Act 1986
“LBIE”	Lehman Brothers International (Europe) (in administration)
“LBL”	Lehman Brothers Limited (in administration)
“Mable” or the “Company”	Mable Commercial Funding Limited (in administration)
“MVL”	A solvent liquidation, known as a members’ voluntary liquidation, in which the liquidator is appointed by the shareholders and the company’s assets are sufficient to settle all its liabilities, including statutory interest, within twelve months.
“Mortgage Assets”	Mortgage loan assets held by Mable’s subsidiaries
“PAG”	The Firm’s Portfolio Advisory Group
“PAYE”	Pay As You Earn income tax
“Period”	The six months from 23 March 2016 to 22 September 2016
“PML”	Preferred Mortgages Limited
“Proposals”	The Administrators’ statement of proposals for achieving the purpose of the Administration, dated 12 November 2008
“SAO”	Senior Accounting Officer
“SIP 9”	Statement of Insolvency Practice 9

“SPML”	Southern Pacific Mortgages Limited
“SPPL”	Southern Pacific Personal Loans Limited (in liquidation)
“Storm”	Storm Funding Limited (in administration)
“unsecured creditors”	Creditors who are neither secured nor preferential
“VAT”	Value Added Tax

Section 2 Purpose of the Administrators' progress report

Introduction

This is the 16th progress report by the Administrators of the Company.

Creditors should have received the Proposals which were approved at a meeting of creditors held on 27 November 2008 and the Administrators' 15 previous progress reports. If any creditor requires copies of the Proposals or these reports, these are available on the Administrators' website www.pwc.co.uk/business-recovery/administrations/lehman/mable-commercial-funding-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 and the progress made since our appointment with particular focus on the Period.

Business activities

Mable is a holding company that principally acted as a funding vehicle for mortgages and asset-backed debt financing on behalf of a number of its direct and indirect subsidiaries.

Mable utilised employees seconded from LBL and principally 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 Mable's creditors as a whole than would be likely if Mable were wound up (without first being in administration).

The specific aims of the Administration are to:

- Protect and manage the Company's portfolios of assets; and
- Realise these assets, including cash, mortgages and asset backed securities, on a managed basis.

Creditors' committee

A creditors' committee has not been formed.

Outcome for creditors

On 24 June 2013, the Court made an order pursuant to paragraph 65(3) of Schedule B1 to IA86, granting permission for the Administrators to make distributions to unsecured creditors.

To date, the Administrators have paid five dividends totalling 30.5 pence in the pound on admitted claims. This takes the cumulative distribution to £220.0m.

As outlined in this report, the timing and amount of future dividends are dependent upon further asset recoveries, which are presently uncertain.

Future reports

The Administrators will report to creditors in approximately six months.

Signed:



D Y Schwarzmans
Joint Administrator
Mable Commercial Funding Limited

DY Schwarzmans, AV Lomas, SA Pearson and JG Parr were appointed as Joint Administrators of Mable Commercial Funding Limited to manage its affairs, business and property as 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.

Mortgage Assets

The Administrators are continuing to implement a hold strategy for the Mortgage Assets.

Mable's interests in the Mortgage Assets largely comprise the equity held in the Mable sub-group, principally PML and SPML as detailed below in the "Restructuring of subsidiaries" section.

In addition, Mable provided a loan to one of its subsidiaries which was used to fund the origination of certain Mortgage Assets. These Mortgage Assets were pledged as security against the loan and are being held and run-off by Acenden.

In the Period the Administrators collected loan interest and principal sums totalling £0.8m. Overall, £52.7m has been recovered since the beginning of the Administration.

Debtors

As creditors will recall, Mable's total claims against various Lehman US affiliates were agreed pursuant to the Joint Chapter 11 Plan dated December 2011 at \$16.5m. To date, Mable has received distributions totalling \$6.1m, \$0.3m of which was received in the Period. A further distribution of \$0.3m was received outside the Period on 6 October 2016.

On 29 July 2013 Storm admitted Mable's claim of £366m. Mable has received dividends from Storm totalling £148.7m, of which £11m was received in the Period.

On 8 October 2013 Eldon Street admitted Mable's claim of £7.1m. Mable received an interim distribution of £0.1m in the Period, bringing recoveries on its claim to £2.3m.

The timing and quantum of future distributions by Mable's debtors remain uncertain.

Restructuring of subsidiaries

Discussions with the directors of various Mable subsidiary companies to implement the restructuring proposal for the Mable sub-group are ongoing. The main objectives of the restructuring are to simplify the group and reduce operating costs, minimise tax leakage and accelerate cash repatriation to Mable. It is now expected that the restructuring process will be completed in 2017 rather than the end of this year.

As anticipated, Preferred Mortgages Residuals One Limited, Preferred Mortgages Residuals 2 Limited, Southern Pacific Funding 1 Limited and Southern Pacific Residuals 2 Limited were dissolved on 29 May 2016 following completion of those companies' respective MVLs.

The directors of the subsidiary entities which hold Mortgage Assets, bonds and residual interests in securitisation structures continue to employ proactive strategies to maximise value by consolidating interests and restructuring where appropriate.

In parallel with rationalising the sub-group, the Administrators are monitoring the agreed two to four year strategy to hold and run-off the underlying assets. The performance and strategy remain subject to regular review.

The Administrators now estimate that the overall future benefit to Mable arising from its interest in these assets is in the range of £300m to £350m including the loan referred to above. The range represents a £50m increase over that reported previously, mainly as a result of the successful conclusion of the agreement of various claims in the estate of SPPL. These valuation estimates have not been tested in the external market and therefore any outcome may be greater or less than these figures. In addition, the estimates are not present values but the aggregate of cash flows. Creditors should therefore exercise caution in relying on these figures for any purpose and the Administrators will not be responsible for any losses incurred.

Claims agreement

Mable has received 21 claims from unsecured creditors. Six claims have subsequently been withdrawn and 15 claims with a total value of £720m have been admitted for dividend. The largest admitted claim is from LBIE of £598m.

As referred to in our last report, the small variation to a previously admitted claim was withdrawn by the creditor.

Distributions

As advised in the Administrators' previous report, notice of intended dividend in respect of a fifth distribution was issued on 10 March 2016. The fifth interim dividend of 3.43 pence in the pound was declared on 7 June 2016.

Taxation

All Corporation Tax returns up to the year ended 22 September 2013 have been agreed by HMRC. The Corporation Tax return for the year ended 22 September 2014 has been submitted to HMRC and the enquiry period for this return will come to an end on 31 October 2016. The Corporation Tax return for the year ended 22 September 2015 was submitted to HMRC on 15 September 2016 and shows losses which may be carried forward to shelter future trading profits.

No further significant Corporation Tax refunds are envisaged for pre-appointment periods over and above the £27.1m already recovered.

To date, Mable has received total VAT repayments of just over £1m including £42k in the Period in relation to the November 2015 and February 2016 quarterly returns. Small repayments are expected in relation to the May and August 2016 returns.

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 Statement of Insolvency Practice No.2.

Future strategy

The Administrators will continue to:

- Keep the Mortgage Assets held by Mable's subsidiaries under review;
- Work closely with LBIE, being Mable's majority creditor, including consultation over planned asset disposals;
- Work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;
- Progress the restructuring of Mable's subsidiaries; and
- Make further payments to creditors as funds permit.

Term of office

The Administration is due to end on 30 November 2016. The Administrators are planning to make an application to court to extend their term of office by a further six years.

Section 4 Statutory and other information

<i>Court details for the administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8211 of 2008.
<i>Full name:</i>	Mable Commercial Funding Limited.
<i>Trading name:</i>	Mable Commercial Funding Limited.
<i>Registered number:</i>	2682316.
<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 creditors as a whole than would be likely if Mable was wound up (without first being in administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) of 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 either 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 three successive extensions to the Administration period being to 30 November 2010, 30 November 2011 and to 30 November 2016.

Section 5 Financial information

Administrators' remuneration

The manner in which administrators' remuneration is determined and approved is set out in IR86 2.106 to 2.109.

In accordance with the Proposals, as a creditors' committee was not formed, it is for the general body of creditors to agree the level of the Administrators' remuneration and Category 2 disbursements.

At a meeting held by correspondence on 20 September 2010, creditors who voted unanimously approved a resolution authorising the Administrators to draw remuneration on the basis of their time costs, together with Category 2 disbursements and VAT from 1 July 2010 onwards from time to time.

In accordance with the resolution, the Administrators can draw remuneration 21 days after circulating details to creditors. On this basis, the Administrators' remuneration (including VAT) during the Period is as follows:

Time cost period	Date when details sent to creditors	Fees £m	Date paid
01/07 - 31/12/2015	31/03/2016	0.59	27/04/2016
01/01 - 30/06/2016	16/08/2016	0.68	09/09/2016
01/07 - 31/08/2016	23/09/2016	0.22	20/10/2016

Payment of remuneration for the period 1 July to 31 August 2016 brings the total amount of Administrators' remuneration drawn to £11.4m (VAT inclusive).

SIP 9

In addition to IR86, 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 interests of the Company, 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 own 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 party who approves the 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. Category 1 disbursements with a value of £487 were incurred in the Period. No Category 2 disbursements were incurred in the Period.

Creditors' rights

Creditors have the right to ask for information and challenge the Administrators' remuneration if they think that it is too high. For "A creditors' guide to administrators' fees" (in accordance with SIP9) see:

http://www.icaew.com/~/_/media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx

A copy, free of charge, can be obtained from the Administrators.

Receipts and payments account

An account of the receipts and payments in the Administration for the Period and the cumulative total since commencement of the Administration is set out in Section 6. As advised earlier in the Administration, all of the Company's assets are uncharged, there being no secured creditors.

Significant receipts in the Period comprise:

- £11.1m and \$0.3m in respect of book debt receipts; and
- £0.8m in respect of principal and interest on Mortgage Assets.

Principal payments in the Period are:

- £24.7m in respect of the fifth interim dividend to creditors on 7 June 2016.
- £0.59m (VAT inclusive) in respect of the Administrators' fees for the period 1 July 2015 to 31 December 2015 and £0.68m (VAT inclusive) in respect of the Administrators' fees for the period 1 January to 30 June 2016.

Total cash held as at 22 September 2016 was £13.3m (GBP equivalent).

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. Given the nature of the Company's assets and ongoing realisations, the Administrators are not in a position to provide an estimate of the final outcome for creditors.

The Administrators' expenses

In accordance with revised SIP 9, a statement of all expenses incurred in the period is required, irrespective of when the Administration commenced and irrespective of whether the expenses have been invoiced or paid. The term "expenses" is not limited to the office holders' disbursements.

Accordingly, set out in Section 7 of this report is a statement of the expenses that the Administrators incurred between 1 March and 22 September 2016, together with a comment on future expenses.

Subcontracted work

Mable has contracted out tax services 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 Mable. 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

Mable Commercial Funding Limited

Receipts and payments to 22 September 2016

	As at 22 September 2016			As at 22 September 2016	Movements from 23 March 2016 to 22 September 2016 (GBP equivalent)	As at 22 March 2016 (GBP equivalent) RESTATEd at 22 September 2016 exchange rate	As at 22 March 2016 (GBP equivalent)
	GBP (£)	EUR (€)	USD (\$)	TOTAL GBP equivalent	September 2016 (GBP equivalent)	at 22 September 2016 exchange rate	(GBP equivalent)
	000's	000's	000's	£	£	£	£
RECEIPTS							
Mezzanine loan repayments	3,418	7,677	-	10,008	-	10,008	9,481
Book debts	151,734	322	9,074	158,940	11,305	147,635	147,082
Legal Fees	-	5	-	4	-	4	4
Corporation Tax repayments	27,131	-	-	27,131	-	27,131	27,131
VAT repayments	1,052	-	-	1,052	42	1,010	1,010
Refund of professional fees	6	115	-	104	-	104	96
Foreign currency conversions	12,402	-	-	12,403	183	12,220	12,220
Principal and interest on Mortgage Assets	52,725	-	-	52,725	850	51,875	51,875
Income from investments	1,006	6	-	1,011	42	969	969
Receipts Grand Totals	249,474	8,125	9,074	263,378	12,422	250,956	249,868
PAYMENTS							
Building and occupancy costs	663	-	-	663	43	620	620
Payroll and employee costs	1,574	-	-	1,574	-	1,574	1,574
Legal fees	2,169	-	-	2,169	81	2,088	2,088
Insurance premiums	254	-	-	254	5	249	249
Administrators' remuneration	11,293	-	-	11,293	1,276	10,017	10,017
Administrators' disbursements	51	-	-	51	-	51	51
Foreign currency conversions	-	8,125	9,074	13,904	201	13,703	12,614
Other professional fees	171	-	-	171	37	134	134
Distributions to unsecured creditors	219,951	-	-	219,951	24,710	195,241	195,241
Payments Grand Totals	236,126	8,125	9,074	250,030	26,353	223,677	222,588
NET POSITION	13,348	-	-	13,348	-	27,279	27,280
CASH BALANCES							
HSEC	1,648	-	-	1,648	-	-	-
Money markets	11,700	-	-	11,700	-	-	-
Total Cash	13,348	-	-	13,348	-	-	-

Exchange rate as at 22 March 2016

US\$ 1 : GBP 0.7034
EURO €1 : GBP 0.7897

Exchange rate as at 22 September 2016

US\$ 1 : GBP 0.7637
EURO €1 : GBP 0.8584

Amounts include VAT where applicable

Section 7 Expenses

The following table provides details of the Administrators' expenses which are payable by the Administrators from the estate. This includes the Administrators' fees and excludes distributions to creditors. This statement excludes any potential tax liabilities that may be payable as expenses of the Administration in due course because amounts due will depend on the position at the end of each tax accounting period.

The table should be read in conjunction with the receipts and payments account at Section 6, which shows expenses actually paid during the Period and the total paid to date. Where appropriate, expenses are shown inclusive of VAT.

	Brought forward from preceding period £ 000's	Incurred in the period 1 March to 22 September 2016 £ 000's	Cumulative £ 000's	Accrued £ 000's	Estimated future £ 000's	Anticipated total £ 000's
Legal fees	2,088	81	2,169	17	414	2,600
Wages & salaries	1,574	-	1,574	-	-	1,574
Building and occupancy costs	620	43	663	-	-	663
Administrators' remuneration	10,017	1,276	11,293	324	2,277	13,894
Administrators' disbursements	51	-	51	-	5	56
Insurance	249	6	255	-	24	279
Other professional fees	133	37	170	7	324	501
Total	14,732	1,443	16,175	348	3,044	19,567

Section 8 Remuneration and other matters

Administrators' time costs

Mable Commercial Funding Limited

Joint Administrators' time costs for the period 1 March 2016 to 31 August 2016

Classification of work	Partner		Director		Senior Manager		Manager		Senior Associate		Associate		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	0.1	69	-	-	14.3	6,327	51.7	14,616	45.0	10,620	111.1	31,632
Creditor Claims	2.0	1,798	4.8	3,288	1.5	1,026	24.4	10,834	-	-	10.7	2,513	43.4	19,459
Realisation of Assets	-	-	191.1	131,309	34.4	18,521	133.3	59,185	14.2	4,298	8.3	1,959	381.3	215,272
Statutory and Compliance	2.8	2,517	9.1	6,234	10.0	5,270	66.6	29,548	29.9	8,103	50.1	11,812	168.5	63,484
Strategy and Planning	2.4	2,158	8.9	6,097	-	-	39.8	17,671	28.4	7,696	27.4	6,455	106.9	40,077
Tax and VAT	20.9	23,011	26.7	25,249	167.5	107,075	55.5	28,705	70.6	22,728	30.4	5,396	371.6	212,164
Total for six months ended 31 August 2016	28.1	29,484	240.7	172,246	213.4	131,892	333.9	152,270	194.8	57,441	171.9	38,755	1,182.8	582,088
Average hourly rate for the six month period		1,049		716		618		456		295		225		492
Cumulative total to 31 August 2016													12,958.8	9,128,120*

Current charge out rates	Business Recovery Services	Specialist	The Administrators' remuneration in respect of Mable is based on time costs by virtue of the resolutions approved by creditors on 21 May 2010 and 20 September 2010. Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Valuations charge time costs at a higher rate, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour. Per the agreement with LBIE's Creditors' Committee, the LBIE Administrators' charge-out rates were held unchanged from 1 July 2013 to 30 June 2015. An increase of 3% in charge-out rates is effective from 1 July 2015 to 30 June 2017, and in line with other UK affiliates controlled by PwC office holders, this approach is also used for Mable.
	Max £/hr	Max £/hr	
Grade	From 1 July 2015	From 1 July 2015	
Partner	899	1,101	
Director	685	999	
Senior manager	527	932	
Manager	444	632	
Senior Associate	371	416	
Associate/Support Staff	236	236	

*This figure does not include VAT

Summary of the Administrators' time costs for the six months ended 31 August 2016

Accounting and treasury - £31,632

Work was undertaken for statutory reporting, monitoring investment rates, changes in counterparty risk and the daily monitoring and coding for receipts and payments in order to mitigate risks and maximise interest on investments. Interest of £42.0k was received during the Period for the benefit of the Company's creditors:

- Monitoring of credit limits and counterparty credit ratings, credit default swap prices and market capitalisation;
- Investing surplus cash in money market deposits according to the agreed investment policy;
- Preparing and reviewing the receipts and payments reports, authorising all payments and reviewing and managing cashflow;
- Reconciling bank accounts for the purposes of statutory reporting;
- Monitoring flow of funds into the bank accounts; and
- Actively managing an average of £8.8m of funds.

Creditor claims - £19,459

The following activities were undertaken for notification and processing the fifth interim dividend to creditors on 7 June 2016. All legal and statutory requirements were adhered to and £24.7m was distributed to creditors:

- Regular monitoring of the estimated outcome from remaining assets;
- Corresponding with creditors to confirm bank details to enable dividend payments to be made electronically;
- Issue of Rule 2.95 and 2.98 Notices which outlined the Administrators' intention to declare, and subsequent declaration of a fifth interim dividend to all creditors;
- Payment of fifth interim dividend of £24.7m on 7 June 2016;
- Regular meetings and contact to respond to questions raised by the largest creditor LBIE and other creditors regarding the estate;
- Finalising a non-disclosure agreement; and
- General queries on creditor claims.

Realisation of assets - £215,272

The majority of costs within this section relate to the preparation and amendments to proposals for restructuring the Mable sub-group. As mentioned earlier in the report, the objectives of the restructuring are to simplify the group, reduce operating costs, minimise tax leakage and accelerate cash repatriation to Mable. In addition, the Administrators have kept under review the strategy to hold and run-off the underlying Mortgage Assets, bonds and residual interests held in securitisation structures. During the Period, the Administrators revised their estimate of the longer term future benefit to creditors by £50m to be £300m – £350m. Creditors have also benefited from intercompany debtor recoveries totalling £11.1m and \$0.3m during the six months to 22 September 2016. Activities include:

- Pursuing intercompany debt;
- Liaising with directors regarding strategic direction for Mable subsidiaries;
- Proactively reviewing loan repayments/distributions due to Mable;
- Reconciling UK loan portfolio receipts to movements in portfolio balances;
- Fortnightly meetings to review and monitor plans to restructure the Mable sub-group;
- Ongoing review and testing of assumptions regarding all assets held by PML and SPML and asset management plans and projections;
- Preparation of a summary of the proposed asset realisation strategy of PML/SPML by PAG; and
- Regular review by PAG of the assumptions and current market conditions affecting the PML/SPML asset realisation strategy.

Statutory and compliance - £63,484

The following tasks were undertaken in accordance with the Administrators' statutory obligations or other internal compliance requirements:

- Finalising and circulating the Mable time-cost report for the July 2015 to December 2015 period for fees totalling £493k (plus VAT);
- Preparing and circulating the Mable time-cost report for the January 2016 to June 2016 period for fees totalling £570k (plus VAT);
- Preparing and finalising the 15th progress report and complying with the additional requirements of revised SIP 9;
- Investigating the implications of the new Persons of Significant Control regulations;
- Ensuring Administrators' statutory obligations are discharged;
- Complying with all other statutory and governance issues;
- Preparing a budget for future Administration costs;
- Updating compliance database and the Firm's internal databases; and
- Planning for preparation of the application to extend the Administration period, including reviewing and updating the witness statement.

Strategy and planning - £40,077

As detailed below, time was spent ensuring the Administration was being progressed in an efficient manner and for the benefit of stakeholders;

- Meetings with LBIE as Mable's largest creditor to discuss strategy;
- Setting and agreeing the strategy for the estate – regular team meetings, liaising with other Lehman teams;
- Preparing detailed updates for the Administrators to review strategy and key issues;
- Reviewing and authorising legal and other third party billings;
- Analysing and reviewing any costs recharged to Mable; and
- Updating Mable's webpage to inform creditors and others of the progress made in the administration.

Tax and VAT- £212,164

The following tasks were undertaken in accordance with tax compliance including submission of VAT returns. During the period, VAT refunds totalling £42k were received by Mable for the benefit of creditors. Additionally, the tax team has considered the tax consequences of the group restructuring and have proposed alternative solutions to maximise the flow of funds to Mable for the long term benefit of creditors. Work was also required to adhere to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards:

- Regular meetings and correspondence with various stakeholders to discuss the proposed corporate simplification of the Mable sub-group including consideration of tax consequences of alternative proposals where required;
- Tax advice and accounting structuring input in respect of the winding up of subsidiaries including drafting a strategy paper and illustrative balance sheets setting out the steps to simplify the current group structure, help prepare the subsidiaries for winding up and enable the subsidiaries to be placed into a solvent liquidation process;
- Preparing various iterations of the steps paper/illustrative balance sheets to reflect alternative proposals for the restructuring in response to the changing status of the progress of SPPL's liquidation and, to reflect updates such as the proposed repayments of loans under guarantees made by various Mable subsidiaries;
- Further detailed research into the base cost of the Mable's subsidiary companies to ensure proposed restructuring does not trigger tax liabilities including full review of historic accounts, liaising with the Firm's Tax Knowledge and Innovation team and with the Lehman tax team;
- Accounting structuring review of the reserves position of Mable and its subsidiaries to determine the

- feasibility of differing restructuring options;
- Ongoing review of tax controls within the Lehman group to ensure compliance with SAO legislation and submission of FY14 SAO certificate and notification;
- Review of the 2015 Corporation Tax computation;
- Calculation and discussion of tax provisions required to be held for dividend purposes; and
- Preparing and arranging the quarterly VAT returns for November 2015, February 2016 and May 2016.

Administrators' estimated future time costs

At this time, and based on a timescale for completing the Administration in line with the current proposed extension, the Administrators estimate that future work will cost £2.3m (including VAT) expected to comprise, but not be limited to, the following:

- Accounting and treasury functions including those outlined in the summary above;
- Distribution of future available funds to creditors with admitted claims;
- Continuing work to simplify the sub-group including liquidating Resetfan Limited, Preferred Holdings Limited and Preferred Group Limited, which is expected to occur in 2017;
- Monitoring the progress and risks associated with the strategy to hold and run-off the underlying Mortgage Assets, bonds and residual interests in securitisation structures during the next two to four years;
- Preparing and distributing six monthly progress reports, fee packs and other statutory and compliance functions;
- Applying to Court for an extension of the Administration;
- Tax and VAT compliance including preparing tax computations and returns and seeking final tax clearance prior to close; and
- Tax planning after the post consultation impact of the changes to tax loss relief introduced by this year's budget is known.

Please refer to the table in Section 8 'Remuneration and other matters' which gives an indication of estimated run rates in the main areas.



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