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

20 October 2016

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

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>Summary of work performed by the Administrators</i>	<i>11</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
“IR86”	Insolvency Rules 1986
“LBB”	Lehman Brothers Bankhaus AG (in insolvency)
“LBIE”	Lehman Brothers International Europe (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 2016 to 22 September 2016
“Proposals”	The Administrators’ statement of proposals for achieving the purpose of the Administration, dated 14 November 2008
“SIP”	Statement of Insolvency Practice
the “Rules”	IR86 2.106 to 2.109
“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 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 15 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.

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;
- Lehman Brothers Holdings Plc (in administration);
- Thomas Marsoner; and
- John Wakely.

The Administrators have met with the Committee 15 times and 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

To date, the Administrators have paid dividends totalling 100 pence in the pound on admitted claims.

Any further potential payments would relate to statutory interest. The Administrators remain unable to estimate the likely timing or quantum of any future distributions because of the matters referred to in Section 3.

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.

Future reports

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

Signed:



D Y Schwarzmman
Joint Administrator
Lehman Brothers Europe Limited

DY Schwarzmman, 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 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 \$7.3m in dividends from LBHI and its US debtor affiliates. As explained in the 15th progress report, approximately \$4m of the total dividends received relate to a claim against LBHI in respect of affiliate claims guaranteed by LBHI. In accordance with the terms of the agreement, in the event that the underlying claims are paid in full, any dividend received under the LBHI guarantee claim will be subject to a potential clawback.

The Administrators have spent considerable time negotiating a settlement in the Period in respect of the largest underlying net claim with LBB. As a result of this settlement LBHI has agreed that no clawback is appropriate and has therefore agreed to pay further catch up dividends on the guarantee claim of \$2.1m.

b) LBL

The Administrators consider that LBL is a debtor of the Company and have made a claim against LBL in the sum of £447m in October 2014. LBL has in turn submitted a claim against LBEL as detailed below in the 'Creditor claims' section.

c) Other Debtors

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

The Administrators have continued to settle claims against inter-company debtors where appropriate and have resolved the claim against LBB in the Period as discussed above, which resulted in a payment of £2.1m to LBEL as shown in the receipts and payments account in Section 6.

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

Creditor claims

The only material claim that remains to be resolved is the claim submitted by LBL.

Pre-administration, LBL was the service company for the Group. LBL employed the majority of the personnel who worked in the UK and arranged for their secondments to other entities within the Group, including LBEL. It also held most of the service contracts and maintained general infrastructure and back office services to support the needs of the Group. Consequently, the Group entities did not incur direct costs and liabilities in respect of personnel, premises, IT and other services, with LBL recharging costs it incurred in respect of these services through various mechanisms. LBL's Administrators continue to receive claims which are to be recharged to LBEL making the agreement of LBL's inter-company accounts with LBEL challenging.

The Administrators have previously reported that LBL has increased the amount of its claim from £243m to £4.9bn. LBL's revised claim includes the following additional items, which have not been substantiated to the satisfaction of the Administrators and are not agreed:

1. £4.5bn relating to the recharge of the Contribution Claim. As LBIE is an unlimited company its shareholders may be liable for any shortfall in its estate. LBL has asserted that a proportion of any liability arising from the Contribution Claim can be claimed against LBEL. Whether LBIE is able to pursue the Contribution Claim is subject to appeal before the Supreme Court, which is listed for hearing on 17 October 2016;
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, which is currently being disputed by LBL and is subject to court proceedings due to commence on 30 January 2017.

Similar claims have also been made against LBIE.

During the Period proceedings have been commenced which, amongst other things, seek direction from the Court in respect of the elements of LBL's claims against both LBEL and LBIE numbered 1, 2 and 3 above, known as the Waterfall III proceedings. At a procedural hearing in respect of the Waterfall III proceedings on 24 June 2016, the Court ordered that all parties (including LBL, LBIE and LBEL) would exchange their position papers and documentary disclosure in October and November 2016 and any witness evidence in December 2016 and January 2017. This is for the purposes of a four week trial listed to commence on 30 January 2017.

In addition to the Waterfall III proceedings, discussions with LBL have continued in the Period in order to agree as many parts of the inter-company position between LBEL and LBL as possible.

Surplus

LBEL has paid 100 pence in the pound on agreed claims. Until the claim from LBL is resolved the Company is unable to make any further distributions in relation to statutory interest. If there is a surplus once the LBL claim is resolved, it will also be necessary to establish creditors' entitlements to post-administration statutory interest and how potential issues such as currency conversion claims will be dealt with.

Taxation

The Administrators have agreed LBEL's Corporation Tax affairs with HMRC for all periods up to 5 October 2013.

The tax returns for the years ended 5 October 2014 and 5 October 2015 were submitted to HMRC in the Period. The returns show tax losses of £5.0m and £40k respectively, which may be carried forward to shelter future profits.

The Administrators have complied with their obligations under the Senior Accounting Officer legislation and submitted the 2014 certificate and notification. They have also adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards.

To date, VAT totalling £3.2m has been repaid to LBEL, including £188k in the Period in relation to the November 2015 and February 2016 VAT returns. A VAT repayment of approximately £12k for the May 2016 VAT return has been received by the VAT group representative member and is in the process of being distributed. In the Period, work was commenced to prepare the return for the August 2016 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 continue to:

- Deal with the remaining creditor claim, taking into account the Court's directions in regard to the Waterfall III proceedings in due course;
- If appropriate, review the treatment of creditors' claims in connection with their eligibility to receive statutory interest; and
- Formulate an exit plan for the Administration.

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 two bases of remuneration under the Rules, either:

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

The Rules 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.

To date, remuneration of £22.6m (excluding VAT) has been drawn in accordance with the above approval. Based on the value of the property realised to date, a further £0.6m is available to be drawn as remuneration.

SIP 9

In addition to the Rules, 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 7 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 £47 in Category 2 disbursements and £758 in Category 1 disbursements were incurred during the Period.

Creditors' rights

An explanatory note giving creditors a statement of their rights in relation to the Administrators' remuneration and expenses, and their rights to request further information, can be found online at:

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/a-creditors-guide-to-administrators-fees-010407.pdf>

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

Creditors have the right to ask for information and challenge an Administrators' fees.

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 22 September 2016, and a cumulative total since commencement of the Administration, is set out in Section 6.

Significant receipts in the Period include:

- £2.1m in relation to the repayment by LBB as detailed in Section 3;
- £0.2m comprising dividends from various affiliates;
- £0.6m in relation to interest earned on funds invested; and
- £0.2 in respect of VAT refunds.

Significant payments in the Period include:

- £0.3m in respect of legal fees.

Total cash held as at 22 September 2016 was approximately £276m (GBP equivalent).

As advised earlier in the Administration, all of the Company's assets are uncharged, there being 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.

The Administrators are not in a position to provide an estimated outcome because this information is commercially sensitive and may be prejudicial to the Administration.

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.

It has become increasingly difficult to invest sterling deposits as many of the approved counterparty banks will not accept deposits of less than six months duration. The Administration treasury team is therefore in the process of investing £200m of the funds held on deposit in UK Government Treasury Bills. These short term instruments provide slightly better returns than money market deposits of the same duration.

The Administrators' expenses

Expenses are amounts properly payable by the Administrators from the estate including fees but excluding distributions to creditors.

In addition to expenses paid in the Period shown in the receipts and payments account, the Administrators incurred expenses of £87,308 plus VAT in respect of outstanding legal fees, which have not yet been paid. As stated above, the Administrators have also incurred accrued unpaid fees of £0.6m and nothing in respect of subcontracted work (see below).

Future expenses cannot be estimated as they are subject to the litigation referred to in this report.

Subcontracted work

LBEL 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 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 are appropriate.

Section 6 Receipts and payments account

	As at 22 September 2016			As at 22 September 2016 TOTAL GBP equivalent £	Movements 22 March 2016 to 22 September 2016 (GBP equivalent) £	As at 22 March 2016 (GBP equivalent) RESTATED at 22 September 2016 £	As at 22 March 2016 (GBP equivalent) £
RECEIPTS	GBP (£)	US (\$)	EUR (€)				
	000's	000's	000's	000's	000's	000's	000's
Book debts	4,072	17,642	21,267	35,801	155	35,647	33,124
GMRA settlement agreement proceeds	371,589	-	-	371,589	-	371,589	371,589
Interest	4,370	34	110	4,491	565	3,926	3,916
Corporation tax repayment	48,443	-	-	48,443	-	48,443	48,443
VAT repayment	3,186	-	-	3,186	188	2,997	2,997
Foreign currency conversions*	28,570	-	1,541	29,893	45	29,848	29,742
Receipts Grand Totals	460,230	17,676	22,918	493,403	953	492,450	489,811
PAYMENTS							
Employee costs	6,047	80	67	6,166	-	6,166	6,156
Building and occupancy costs	952	-	-	952	6	946	946
Legal fees	2,972	240	-	3,156	332	2,823	2,809
Tax function costs	350	-	6	356	-	356	355
Payment for group relief losses	4,925	-	-	4,925	-	4,925	4,925
Distribution to unsecured creditors	87,851	-	2,677	90,148	(2,068)	92,216	92,032
Pension settlement	50,418	-	-	50,418	-	50,418	50,418
Administrators' remuneration**	27,034	-	-	27,034	-	27,034	27,034
Administrators' disbursements	39	-	-	39	-	39	39
Investment management charges	2,433	-	-	2,433	-	2,433	2,433
Foreign currency conversions*	1,250	17,355	20,165	31,813	49	31,764	29,337
Payments Grand Totals	184,271	17,675	22,915	217,441	(1,681)	219,120	216,484
NET POSITION	275,959	1	3	275,962	2,634	273,330	273,327
CASH BALANCES							
HSBC	1,573	1	3	1,576			
Money markets	274,386	-	-	274,386			
Total Cash	275,959	1	3	275,962			

Exchange rate as at 22 March 2016

US\$ 1 : GBP 0.7034
EURO 11 : GBP 0.7897

Exchange rate as at 22 September 2016

US\$ 1 : GBP 0.7637
EURO 11 : GBP 0.8584

Amounts include VAT where applicable

* The difference in total GBP equivalents arises from converted sums being converted 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 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 are to manage the affairs, business and property of the Company and keep 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 £0.6m in interest on funds invested was received in the Period:

- Processing payments and receipts in various currency accounts;
- Performing bank account reconciliations for all bank accounts;
- Exploring investment strategies to maximise returns on the invested funds and monitoring of the £275m held on deposit;
- Monitoring of credit limits and counterparty credit ratings, credit default swap prices and market capitalisation to minimise risk;
- 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;
- Reviewing and authorising monthly payroll recharges of Lehman staff and occupancy costs;
- 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 the objective of the Administration to realise assets and distribute funds to unsecured creditors with admitted claims:

- Liaising extensively with other Lehman affiliates in respect of the inter-company claims submitted by LBEL;
- Updating the debtor schedule as and when required;
- Drafting settlement agreements and negotiating terms with counterparties; and
- Investigating evidence provided by LBL and agreeing as many parts of the inter-company position as possible.

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 discuss the strategy to agree the remaining claims;
- Reviewing enquiries from members of the Committee and consulting with legal advisors where necessary;
- Setting and agreeing the strategy for the estate including regular meetings of the team;
- Dealing with the affairs of LBEL's Italian branch; 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 15th progress report and circulating to all creditors;
- Ensuring Administrators' statutory obligations are discharged;
- Ensuring that time recording is properly managed and reviewed;
- Preparing budget for future Administration costs; and
- Updating the compliance database and the Administrators' internal databases.

Tax and VAT compliance

The following activities were undertaken in compliance with duties as proper officers for tax. £0.2m has been received during the Period in respect of submitted VAT returns. Corporation Tax losses calculated may be used to shelter future profits;

- Review and submission of the 2014 and 2015 Corporation Tax computation and returns;
- Calculating tax provisions;
- Reviewing options in respect of LBEL's Italian branch;
- Complying with Senior Accounting Officer provisions;
- Finalising VAT reconciliations for the returns submitted in 2014 and preparation of VAT reconciliation for returns submitted in 2015;
- Preparing the VAT returns for the first, second and third quarter in 2016;
- Attending regular strategy meetings; and
- Tax input into the 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 due to and from LBEL

The Administrators will continue agreeing the remaining claim so that funds currently reserved may be released for distribution to unsecured creditors:

- Liaise and negotiate with LBL on the outstanding claim;
- Continue to pursue the Waterfall III proceedings to determine certain outstanding issues in respect of the LBL claim;
- Adjudicate any additional claims received;
- Settle or withdraw the Company's claims against other parties;
- If applicable, establish creditors' entitlements to post-administration statutory interest and how potential issues such as currency conversion claims will be dealt with; and
- If applicable, distribute statutory interest on admitted creditor claims.

Strategy and planning

The Administrators have an overriding 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;
- Consulting with legal advisors as required; and
- Considering appropriate exit route planning.

Statutory and compliance

This work is required by statute:

- Compliance requirements including six monthly review process;
- Preparing and circulating of Administrators' six monthly and the 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.

Tax and VAT

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;
- Liaising with HMRC in regard to any queries;
- Complying with the Administrators' obligations as Senior Accounting Officer and under the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards;
- Resolving LBEL's Italian branch tax affairs;
- Considering appropriate exit route planning including settlement of open tax positions; and
- Obtaining tax clearance in due course.

As stated above, the Administrators' remuneration is fixed at 5% of the value of the property with which the Administrators have to deal. 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.

© 2016 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.