
Joint Administrators' progress
report for the period 23 September
2015 to 22 March 2016

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

22 April 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
“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 Portfolio Advisory Group
“PAYE”	Pay As You Earn income tax
“Period”	The six months from 23 September 2015 to 22 March 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
“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 15th 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' 14 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 of the IR86, granting permission for the Administrators to make distributions to unsecured creditors.

To date, the Administrators have paid four dividends totalling 27.1 pence in the pound on admitted claims. This takes the cumulative distribution to £195.3m.

A Notice of Intended Dividend in respect of a fifth interim distribution was issued on 10 March 2016. The deadline to lodge proof of debt forms for inclusion in this distribution was set for 8 April 2016. The Administrators expect to pay a dividend no later than 8 June 2016.

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.

DY Schwarzmans, AV Lomas, SA Pearson and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

DY Schwarzmans, AV Lomas, SA Pearson and JG Parr 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.

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.

Mortgage Assets

As stated in previous progress reports, the Administrators have implemented 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 £0.9m. In total £51.9m has been collected since the beginning of the Administration.

Debtors

As mentioned in previous reports 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 \$5.8m, \$0.4m of which was received in the Period. A further distribution of \$0.1m was received on 31 March 2016. The timing and quantum of future distributions remain uncertain.

On 29 July 2013 Storm admitted Mable's claim of £366m. To date Mable has received distributions totalling £137.7m in this respect. The Administrators have been informed that a further distribution is expected on or before 26 June 2016.

On 8 October 2013 Eldon Street Holdings Limited (in administration) admitted Mable's claim of £7.1m. To date Mable has received interim distributions totalling £2.2m in this respect, including £0.4m received in the Period. The timing and quantum of future distributions remain uncertain.

On 14 March 2014 Longmeade Limited admitted Mable's claim of £0.3m. Mable has received interim

distributions totalling £112k and the claim was sold in November 2015 for £78k.

Restructuring of subsidiaries

Discussions with the directors of various Mable subsidiary companies have continued in the Period with the aim of reviewing the restructuring proposal for the Mable sub-group. 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 expected that the restructuring process will be completed by Q4 2016.

On 17 July 2015 Preferred Mortgages Residuals One Limited, Preferred Mortgages Residuals 2 Limited, Southern Pacific Funding 1 Limited and Southern Pacific Residuals 2 Limited were placed into MVL. It is anticipated that these companies will be dissolved by 30 June 2016.

The directors of the subsidiary entities which hold Mortgage Assets, bonds and residual interests in securitisation structures have continued to employ proactive strategies to maximise value by consolidating interests and restructuring where appropriate. The portfolio of assets is actively managed with acquisitions and disposals transacted where appropriate to the ongoing strategy.

In parallel with rationalising the sub-group, the Administrators have been monitoring the strategy to hold and run-off the underlying assets. A review of the strategy concluded that a continuation of this approach for the next two to four years is appropriate. The performance and strategy will remain subject to regular review.

The Administrators estimate that the overall benefit to Mable arising from its interest in these assets is in the range of £250m to £300m including the loan referred to above. 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, these are not present values but the aggregate of cash flows. Creditors should exercise caution in relying on these figures for any purpose.

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. A small variation to a previously admitted claim was received in the Period which is yet to be adjudicated.

- Progress the restructuring of Mable's subsidiaries; and
- Make further payments to creditors as funds permit.

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 but is yet to be agreed. This shows losses which may be carried forward to shelter future trading profit. The Corporation Tax return for the year ended 22 September 2015 is currently being drafted.

No further significant Corporation Tax recoveries are envisaged for pre-appointment periods.

To date, Mable has received total VAT repayments of £1m including £39k in the Period in relation to the February and May 2015 quarterly returns. VAT returns for the quarters ended 31 August 2015 and 30 November 2015 were filed during the Period. The VAT return for the quarter ended 29 February 2016 has been prepared but not filed. VAT repayments of £0.2k and £40k for the 28 February 2015 and 30 November 2015 VAT returns respectively have been received by the VAT group representative member and will be distributed to Mable shortly.

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;
- Continue to work with the Acenden team to ensure that all applicable principal and interest is remitted to Mable;

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>	Level 23, 25 Canada Square, London E14 5LQ.
<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, Level 23, 25 Canada Square, London E14 5LQ, United Kingdom.
<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>	<p>The Court has granted three successive extensions to the Administration period being to 30 November 2010, 30 November 2011 and, more recently, to 30 November 2016.</p> <p>The Administrators will be requesting a further four year extension of the Administration.</p>

Section 5 Financial information

Administrators' remuneration

The manner in which administrators' remuneration is determined and approved is set out in the 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 29 March 2016, the fee analysis for the period from 1 July to 31 December 2015 was circulated to creditors. The Administrators are expecting to draw fees of £0.59m (including VAT) on or after 20 April 2016.

This will bring the total amount of Administrators' remuneration drawn to £10.6m (including VAT).

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 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, 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.

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

No Category 2 disbursements were incurred in the Period.

Creditors' rights

Creditors have the right to challenge the Administrators' remuneration and expenses if they think that they are excessive. 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>

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 to this report.

Significant receipts in the Period include:

- £0.5m and \$0.4m in respect of book debt receipts; and
- £0.9m in respect of principal and interest on Mortgage Assets.

Significant payments in the Period include:

- £0.36m in respect of the Administrators' fees for the period 1 January 2015 to 30 June 2015.

Total cash held as at 22 March 2016 was £27.3m (GBP equivalent).

The Administrators' expenses

In accordance with revised SIP9, which took effect on 1 December 2015, 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 have incurred in the six months to 29 February 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.

Section 6 Receipts and payments account

Mable Commercial Funding Limited Receipts & Payments to 22 March 2016

RECEIPTS	As at 22 March 2016			As at	Movements	As at	As at
	GBP (£)	EUR (€)	USD (\$)	22 March 2016	from 23 September 2015 to 22 March 2016	22 September 2015 (GBP equivalent) RESTATED	22 September 2015 (GBP equivalent) (1)
	000's	000's	000's	TOTAL GBP equivalent £	£	at 22 March 2016 exchange rate £	£
Mezzanine loan repayments	3,418	7,677	-	9,481	-	9,481	8,988
Book debts	140,630	322	8,811	147,082	760	146,322	145,802
Legal Fees	-	5	-	4	-	4	4
Corporation Tax repayments	27,131	-	-	27,131	-	27,131	27,131
VAT repayments	1,010	-	-	1,010	39	971	971
Refund of professional fees	6	115	-	97	1	96	89
Foreign currency conversions	12,220	-	-	12,220	248	11,972	11,972
Principal and interest on Mortgage Assets	51,875	-	-	51,875	878	50,997	50,997
Income from investments	964	6	-	969	69	900	900
Receipts Grand Totals	237,254	8,125	8,811	249,869	1,995	247,874	246,854
PAYMENTS							
Building and occupancy costs	620	-	-	620	(142)	762	762
Payroll and employee costs	1,574	-	-	1,574	31	1,543	1,543
Legal fees	2,088	-	-	2,088	28	2,060	2,060
Insurance premiums	249	-	-	249	-	249	249
Administrators' remuneration	10,017	-	-	10,017	363	9,654	9,654
Administrators' disbursements	51	-	-	51	-	51	51
Foreign currency conversions	-	8,125	8,811	12,614	268	12,346	11,325
Other professional fees	134	-	-	134	22	112	112
Distributions to unsecured creditors	195,241	-	-	195,241	-	195,241	195,241
Payments Grand Totals	209,974	8,125	8,811	222,588	570	222,018	220,997
NET POSITION	27,280	-	-	27,281	1,425	25,856	25,857
CASH BALANCES							
HSBC	9,461	-	-	9,461	-	-	-
Money markets	17,819	-	-	17,819	-	-	-
Total Cash	27,280	-	-	27,280	-	-	-

Exchange rate as at 22 September 2015

US\$ 1 : GBP	0.6441
EURO €1 : GBP	0.7256

Exchange rate as at 22 March 2016

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

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 the 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.

	Brought forward from preceding period £ 000's	Incurred in the period under review £ 000's	Cumulative £ 000's	Accrued £ 000's	Estimated future £ 000's	Anticipated total £ 000's
Legal fees	2,060	28	2,088	3	500	2,591
Wages & salaries	1,543	31	1,574	15	200	1,789
Building and Occupancy Costs	762	(142)	620	53	-	673
Administrators' remuneration	9,654	363	10,017	777	3,100	13,894
Administrators' disbursements	51	-	51	-	5	56
Insurance	249	-	249	15	15	279
Other professional fees	112	21*	133	2	150	285
Total	14,431	301	14,732	865	3,970	19,567

*Fee paid to the Firm for services to assist with the preparation for MVL on behalf of Lehman Brothers Bancorp UK Holdings Limited

Section 8 Remuneration and other matters

Administrators' time costs

Administrators' time costs for the period 1 September 2015 to 29 February 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	2.2	1,134	7.7	3,564	38.9	10,892	35.2	8,272	84.1	23,931
Central services	-	-	0.4	96	0.3	10	0.3	120	6.7	1,850	-	-	7.7	2,076
Creditor claims	-	-	5.6	3,836	-	-	16.9	7,505	-	-	0.5	118	23.0	11,459
Realisation of assets	0.5	450	212.0	146,448	25.8	14,931	92.1	40,892	7.3	2,234	5.8	1,369	343.5	206,324
Statutory and compliance	1.3	1,169	5.6	3,837	1.1	580	29.9	13,275	-	-	46.7	10,997	84.6	29,858
Strategy and planning	0.9	809	19.1	13,084	-	-	60.4	26,818	0.6	163	51.2	12,047	132.2	52,921
Tax and VAT	12.4	13,653	33.3	31,250	144.4	91,718	83.9	43,726	73.6	19,779	52.6	9,164	400.2	209,290
Total for six months ended 29 February 2016	15.1	16,081	276.1	198,620	173.8	108,373	291.2	135,900	127.1	34,918	192.0	41,967	1,075.3	535,859
Average hourly rate for the six month period		1,065		720		624		467		275		219		498
Cumulative total to 29 February 2016													11,776.0	8,546,032

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 Group affiliates controlled by the Firm's office holders, this approach is also used for Mable.
	Max £/hr	Max £/hr	
Grade	From 1 July 2015	From 1 July 2015	
Partner	899	1,202	
Director	788	1,108	
Senior manager	527	932	
Manager	444	680	
Senior Associate	371	505	
Associate	236	236	

Summary of the Administrators' time costs for the six months ended 29 February 2016

Accounting and treasury - £23,931

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 £68.7k 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 £26.6m of funds.

Central services - £2,076

The following activities were undertaken by the central services team to ensure all administrative requirements were completed on time in order to avoid any unnecessary future costs and meet statutory requirements:

- Providing support for recruitment, retention, management and reward of employees for Group companies, including management of payroll and recharge of costs as applicable;
- Conducting monthly payroll cost review/reconciliation between the administration system records and operation unit records;
- Administering the Cost Recharge Agreement and issuing charges, including prefunding obtained ahead of payroll expenditure;
- Handling HMRC correspondence to resolve post-appointment PAYE reconciliations, preparation of P60s /P35s and monthly gross to net calculations;
- Providing assistance for completion of VAT returns;
- Providing assistance to the Tax team for administering the Group Payment Agent;
- Providing central estate accounting services including forecasting, reporting and application of appropriate controls for shared service costs;
- Controlling and reporting time costs incurred for the provision of shared services; and
- Analysing and preparing monthly fee reports for time costs.

Creditor claims - £11,459

The following activities were undertaken for notification and processing the fourth interim dividend to creditors on 2 September 2015. All legal and statutory requirements were adhered to and £21.6m was distributed to creditors:

- Regular update of the estimated outcome statement;
- Corresponding with creditors to confirm bank details to enable dividend payments to be made electronically;
- Payment of fourth interim dividend of £21.6m on 2 September 2015;
- Preparation of a non-disclosure agreement and negotiation for the withdrawal of an admitted claim; and
- General queries on creditor claims.

Realisation of assets - £206,324

The majority of costs within this section relate to the preparation and amendments to proposals for restructuring the Mable sub-group. As mentioned previously the benefits of restructuring are to simplify the group, reduce operating costs, minimise tax leakage and accelerate cash repatriation to Mable. In addition, the Administrators have reviewed the existing strategy to hold and run-off the underlying Mortgage Assets, bonds and residual interests held in securitisation structures. It is estimated that the longer term benefit to creditors will be £250m – £300m. Additionally, intercompany debt totalling £92k and \$0.4m was recovered during the six months to 29 February 2016 for the benefit of the creditors:

- 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;
- Review all assets held by PML and SPML and proposed asset management plans and projections;
- Preparation of a summary of the proposed asset realisation strategy of SPML/PML by PAG; and
- Regular review by PAG of the assumptions and current market conditions affecting the SPML/PML asset realisation strategy.

Strategy and planning - £52,921

As detailed below, time was spent ensuring the Administration was being progressed in an efficient manner and for the benefit of stakeholders. This included time incurred liaising with LBIE as Mable's largest creditor and reviewing the strategy for the estate:

- 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;
- Reviewing and authorising monthly payroll recharge of Lehman staff;
- Analysing and reviewing any costs recharged to Mable; and
- Updating Mable's webpage to advise on progress made on the estate.

Statutory and compliance - £29,858

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

- Preparation, review and issue of the Mable time-cost report covering 1 January 2015 to 31 July 2015 for fees totalling £303k;
- Preparation and issue of the Administrators 14th progress report;
- Reviewing the detailed monthly fee analysis provided by the central Lehman team to ensure that time is properly recorded;
- Ensuring Administrators' statutory obligations are discharged;
- Ensuring compliance with all other statutory and governance issues;
- Preparing a budget for future Administration costs; and
- Updating compliance database and the Firm internal databases.

Tax and VAT- £209,290

The following tasks were undertaken in accordance with tax compliance including submission of VAT returns. During the period, VAT refunds totalling £39k were received by Mable for the benefit of their creditors. Additionally the tax team have considered the tax consequences of the group restructuring and have proposed alternative solutions in order to maximise the flow of funds to Mable for the long term benefit of Mable's 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 simplification of the Mable sub-group including consideration of tax consequences of alternative proposals;
- 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;
- Accounting structuring review of the reserves position of Mable and its subsidiaries to determine the feasibility of differing restructuring options;
- High level review of tax base cost in subsidiaries to determine possibility of crystallising capital gains tax losses in Mable as part of the restructuring, which could be used to shelter anticipated profits on the future sale of its trading subsidiaries;
- Ongoing review of tax controls within the Lehman group to ensure compliance with SAO legislation and submission of FY14 SAO certificate and notification;
- Review and submission of the 2014 Corporation Tax computation;
- Calculation and discussion of tax provisions required to be held for dividend purposes;
- Preparing the quarterly VAT returns
- Providing analysis of the tax implications of various exit routes from Administration including entering a creditors' voluntary liquidation; and
- Negotiating a new service agreement with LBIE for the provision of tax services.

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 £3m (including VAT) expected to comprise, but not be limited to, the following:

- Accounting and treasury functions including those outlined in the summary above;
- Processing of the fifth interim dividend distribution in 2016;
- Distribution of future available funds to creditors with admitted claims;
- Reviewing an outstanding additional claim;
- Continuing work to simplify the sub-group including liquidating Resetfan Limited, Preferred Holdings Limited and Preferred Group Limited which is expected to occur in Q4 2016;
- 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;
- Apply to Court for an extension of the Administration; and
- Tax and VAT compliance including preparing tax computations and returns and seeking final tax clearance prior to close.



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