
Lehman Brothers (PTG) Limited – in Administration

Joint Administrators' progress
report for the period 6 November
2015 to 5 May 2016

3 June 2016

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 15th progress report prepared by the Joint Administrators (the "Administrators") of Lehman Brothers (PTG) Limited (in Administration) ("LB PTG" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 5 May 2016 (the "reporting period").

Objectives of the Administration

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

The specific aims of this Administration were to:

- Realise all assets, including cash and interest in real estate, on a managed basis;
- Mitigate so far as possible and agree in principle the claims of all creditors; and
- Continue to manage the investments in LB PTG's subsidiaries to maximise returns to creditors.

Outcome for creditors

On 24 June 2013, the Court granted the Administrators permission to make distributions to unsecured creditors.

In the course of the Administration, the Administrators have paid four interim dividends to unsecured creditors with admitted claims. Distributions total c.£58.6m and equate to 32.04 pence in the pound.

The Administrators anticipate that further distributions will be made to unsecured creditors, however the timing and quantum are subject to the receipt of further dividends from LB PTG's debtors.

Extension to the Administration

On 5 November 2015, the High Court granted the Administrators' application to extend their term of office by a further 24 months to 30 November 2017.

Future reports

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

Signed:



GE Bruce
Joint Administrator
Lehman Brothers (PTG) Limited

AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers (PTG) Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr 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 2 Joint Administrators' actions to date

Overview

LB PTG was initially funded by Lehman Brothers Holdings Inc ("LBHI") with the objective of investing in real estate companies within the Lehman Brothers group, principally Eldon Street Holdings Limited ("ESH") and Thayer Properties Limited, which owns the Burford group of companies.

The Company's assets fell into three primary categories:

- (i) Debtor balances due from LB PTG's immediate group as well as the wider Lehman Brothers group;
- (ii) directly owned interests in commercial real estate; and
- (iii) investments in subsidiary companies ("the PTG Group").

Administrators' actions to date

Since their appointment, the Administrators have taken steps to realise LB PTG's key assets, details of which are set out below.

Debtor realisations

ESH

LB PTG has an admitted claim against ESH of £210.6m.

In the reporting period, ESH paid a fourth interim distribution to LB PTG of c.£11.8m, equating to 5.6 pence in the pound. Receipts from ESH now total c.£64.3m.

Mable Commercial Funding Limited ("Mable")

LB PTG has an admitted claim against Mable of £3k.

The Company has received four dividends totalling 27.1 pence in the pound in respect of its claim.

The quantum and timing of further dividends from ESH and Mable remain uncertain.

Stainton Capital Holdings Limited ("Stainton")

LB PTG held a 43.5% interest in Stainton, which was placed into liquidation in October 2014. In September 2015, the Company received a first and final dividend of 0.46 pence in the pound in respect of its admitted claim of £10.3m in respect of an intercompany balance.

Subsidiary investments

LB PTG has recovered €4.07m from its investments in subsidiaries, of which €167k was received during the reporting period from Continuum SRL.

Further distributions are anticipated in due course, however it is unlikely that these will be material.

Tax

The UK government announced in its March 2016 budget two reforms to the use of corporation tax loss relief that will apply from April 2017, subject to consultation.

As a result of these reforms, companies with significant brought forward tax losses, may potentially become tax paying entities and sooner than previously forecast.

The Administrators will provide further commentary on the implications of this in future reports as and when the outcome of the consultation is known.

Distributions to creditors

On 24 October 2011, the Company acting by its Administrators (in conjunction with other affiliates) entered into a settlement agreement with LBHI and certain other affiliates previously subject to Chapter 11 proceedings in the USA in respect of intercompany claims.

The settlement agreement culminated in plans of reorganisation, which became effective on 6 March 2012 following approval from the US court. Pursuant to the Agreement, LB PTG agreed LBHI's

and Lehman Commercial Paper Inc's claims at \$269.51m and \$0.09m, respectively.

In the reporting period, the Administrators paid a fourth interim dividend of £12.1m to unsecured creditors with admitted claims, equating to 6.6 pence in the pound.

Dividends now total £58.6m, equating to recoveries for creditors of 32.04 pence in the pound.

Section 3 Statutory and other information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9851 of 2008
<i>Full name:</i>	Lehman Brothers (PTG) Limited
<i>Trading name:</i>	Lehman Brothers (PTG) Limited
<i>Registered number:</i>	04108157
<i>Registered address:</i>	7 More London Riverside, London, SE1 2RT, United Kingdom
<i>Date of the Administration appointment:</i>	6 November 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The directors of the Company, 7 More London Riverside, London, SE1 2RT
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for LB PTG's creditors as a whole than would be likely if LB PTG were wound up (without first being in administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 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 Joint Administrators, may be done by any or one or more of the Joint Administrators.
<i>Details of any extensions of the initial period of appointment:</i>	The High Court of Justice has granted five successive extensions to the Administration period to: 30 November 2010, 30 November 2011, 30 November 2013, 30 November 2015, and more recently to 30 November 2017.

Section 4 Financial information

Receipts and payments account

An account of the receipts and payments in the Administration for the six months to 5 May 2016 and a cumulative total since commencement of the Administration is set out in Section 5.

Administrators' expenses

In accordance with revised Statement of Insolvency Practice 9 ("SIP9"), which took effect on 1 December 2015, the Administrators are required to provide a statement of all expenses incurred in the period.

Accordingly, set out in Section 6 of this report is a statement of the expenses that the Administrators have incurred from the date of their appointment to 5 May 2016, together with a comment on future expenses.

Administrators' remuneration

In January 2009, the Administrators requested and received consent from LB PTG's creditors for the Administrators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration from time to time.

In accordance with SIP9, the following information has been provided in Section 7 of this report:-

(i) an analysis of the Administrators' time costs for the period 1 October 2015 to 31 March 2016, together with the cumulative time costs from the date of the Administrators' appointment to 31 March 2016; and

(ii) a summary of the Administrators' time costs for the reporting period, including the key categories of work undertaken, details of the work undertaken, a description of why the work was necessary and whether or not the work was of financial benefit to the creditors or if it was undertaken because it was required by statute.

As at 5 May 2016, the Administrators have drawn remuneration of c.£1.6m plus VAT in respect of time costs incurred to 29 February 2016.

Disbursements

The Administrators are not required to seek approval to draw expenses or disbursements unless they are for shared or allocated services provided by our 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 our fees.

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

To date, the Administrators have incurred Category 1 disbursements of £3,411, of which £5 was incurred during the reporting period. Since the commencement of the Administration, disbursements totalling £3,406 have been paid.

Creditors' rights

Creditors have the right to ask for information and challenge an administrator's fees if they believe that they are too high. You can find an explanatory note online at:

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

Creditors can request a paper copy of the above guide by contacting Lehman.affiliates@uk.pwc.com.

Section 5 Receipts and payments account

	Notes	As at 5 May 2016 GBP (£)	Movement GBP (£)	As at 5 November 2015 GBP (£)	As at 5 May 2015 EUR (€)	Movement EUR (€)	As at 5 November 2015 EUR (€)
Receipts							
Distributions received		64,662,958	11,796,646	52,866,312	902,032	167,032	735,000
Asset realisations		-	-	-	3,605,748	-	3,605,748
Loan from group company		30	-	30	-	-	-
Sale of tax losses		51,284	-	51,284	-	-	-
VAT refunds repaid to Lehman Brothers Ltd	(1)	-	-	-	-	-	-
Corporation tax refund		13,718	-	13,718	-	-	-
Net tax function costs recharged	(2)	250,125	-	250,125	-	-	-
Assets held on trust		399	-	399	-	-	-
Interest received gross		71,048	12,975	58,073	-	-	-
Total receipts		65,049,562	11,809,621	53,239,941	4,507,780	167,032	4,340,748
Payments							
Legal fees		131,639	11,942	119,697	-	-	-
Professional fees		21,846	-	21,846	-	-	-
Employee wages & associated costs		311,993	1,555	310,438	-	-	-
Joint Administrators' remuneration	(2)	1,634,987	100,030	1,534,957	-	-	-
Joint Administrators' category 1 disbursements		3,406	-	3,406	-	-	-
Payment for group relief		342,723	-	342,723	-	-	-
Statutory advertising		41,348	9,576	31,772	-	-	-
Insurance		87,150	-	87,150	-	-	-
Pension related legal costs		97,522	-	97,522	-	-	-
Payment on account to HMRC for potential corporation tax liability	(3)	300,000	-	300,000	-	-	-
IT costs		5,741	-	5,741	-	-	-
VAT irrecoverable		311,887	24,310	287,577	-	-	-
Total payments		3,290,242	147,413	3,142,829	-	-	-
Intracompany transfers							
Receipt		3,718,839	125,391	3,593,448	-	-	-
Payment		-	-	-	(4,507,780)	(167,032)	(4,340,748)
Total receipts less total payments		65,478,159	11,787,599	53,690,560	-	-	-
Distributions to unsecured creditors							
1st dividend of 7.50p in the £, declared in October 2013		(13,717,755.00)	-	(13,717,755)	-	-	-
2nd dividend of 10.42p in the £, declared in September 2014		(19,058,521.00)	-	(19,058,521)	-	-	-
3rd dividend of 7.52p in the £, declared in March 2015		(13,756,814.00)	-	(13,756,814)	-	-	-
4th dividend of 6.60p in the £, declared in March 2016		(12,071,615.67)	(12,071,616)	-	-	-	-
Cash in hand / (movement in year)		6,873,453	(284,017)	7,157,470	-	-	-
Cash balances							
HSBC (non interest bearing)		6,873,453	5,873,453	1,000,000	-	-	-
Money market		-	(6,157,470)	6,157,470	-	-	-
Total cash		6,873,453	(284,017)	7,157,470	-	-	-

Notes

(1) Refunds of input VAT totalling £51,288, which had previously been off set against irrecoverable VAT, have been repaid to Lehman Brothers Ltd (the representative of the Lehman's VAT group).

Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

(2) A prior period adjustment of £1,128 has been made to recategorise a balance in relation to tax function costs as Joint Administrators' remuneration.

(3) Payment on account to HM Revenue and Customs in respect of the potential corporation tax liability arising in the year from (i) subsidiary Grace Hotels final distribution and (ii) held over gain triggered by distributions from ESH.

Section 6 Expenses

The following table provides details of the Administrators' expenses. Expenses are defined as amounts payable by the Administrators from the estate, they include the Administrators' fees but exclude distributions to creditors. The table also excludes any potential tax liabilities that may be payable as an Administration expense, as amounts becoming 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 in Section 5 of this report, which shows expenses actually paid during the period and the total paid to date.

In estimating future expenses, assumptions have been made relevant to the annual run rate and length of the current period of extension, where appropriate.

	Brought forward from preceding period £k	Paid in the period £k	Cumulative £k	Incurred and not paid £k	Estimated future £k	Anticipated total £k
Legal fees	120	12	132	3	50	185
Pension related legal costs	98	-	98	-	-	98
Employee wages & associated costs	310	2	312	-	20	332
Joint Administrators' remuneration & disbursements	1,538	100	1,638	17	400	2,055
Other	147	9	156	-	30	186
Irrecoverable VAT	288	24	312	4	100	416
Total	2,501	147	2,648	24	600	3,272

Section 7 Joint Administrators' time costs for the period 1 October 2015 to 31 March 2016

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.10	68	5.65	2,542	18.35	5,253	14.50	3,382	38.60	11,245
Creditors	-	-	-	-	-	-	5.80	1,369	5.80	1,369
Statutory and other compliance	0.50	339	11.20	5,052	18.05	6,557	35.30	8,307	65.05	20,255
Strategy and planning	28.65	22,798	18.30	8,225	38.25	11,941	0.40	94	85.60	43,058
Tax and VAT	5.70	5,878	40.55	24,477	4.77	1,925	19.75	3,913	70.77	36,193
LBIE recharges	0.01	12	0.02	9	0.57	223	-	-	0.60	244
Total	34.96	29,095	75.72	40,305	79.99	25,899	75.75	17,065	266.42	112,363
Average hourly rate		832		532		324		225		422
Cumulative total to 31 March 2016										1,652,138

Current charge out rates	Business Recovery Services	Specialist
	Max £/hr	Max £/hr
Grade	From 1 July 2015	From 1 July 2015
Partner	899	1,262
Director	788	1,108
Senior Manager	527	932
Manager	444	680
Senior Associate	271	505
Associate/Support Staff	236	235

The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown given an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Summary of the Joint Administrators' time costs for the period 1 October 2015 to 31 March 2016

Accounting and treasury - £11,245

An essential function for the management of funds held by the Administrators on behalf of the Company, the Administrators' treasury and cash management teams monitor and control the movement of funds, mitigate risk and seek to maximise the interest made on investments for the benefit of the Company's creditors.

Activities include:

- Provision of information for the purposes of statutory reporting;
- Analysis of interest rates available with counterparties;
- Active management of investments on the money market, and mitigating risk on such investments;
- Due consideration of best strategy for dealing with investments;
- Arrangement of receipts and payments of funds and coding of movements;
- Monitoring flow of funds into the bank accounts;
- Daily monitoring of the funds held, coordinating with case team to ensure that the optimal level of funds are held on deposit;
- Reconciliation of bank accounts; and
- Dealing with catch up distribution.

Creditors - £1,369

In accordance with their duties, the Administrators have responded to creditors' requests for information and facilitated the assignment of a claim in the reporting period.

Activities include:

- Liaison with creditors regarding their claims; and
- Maintaining a schedule of creditors' claims received and adjudicated.

Statutory and compliance - £20,255

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

- Preparation of a progress report and witness statement in support of an application to Court to extend the Administration;
- Preparation of Administrators' 14th progress report, including preparation of a receipts and payments account and detailed remuneration summary;
- Circulating progress report to creditors;
- Filing statutory documents, including notice of extension of Administration, at Companies House and the Court;
- Undertaking a six monthly review of the Administration;
- Conducting a review of time costs in preparation for billing; and
- Maintaining the case website, case records and database.

Strategy and planning - £43,058

The Administrators and their staff have invested a large proportion of their time in the planning and delivery of their strategy for the progression of the Administration. The Administrators consider that their actions support their objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration) and recently obtained an extension of the Administration to November 2017 in order to continue to pursue this objective.

Activities include:

- Review of the strategy for the Administration in relation to various matters, regular team meetings to consider case progression;
- Review and maintenance of financial information, including an estimated outcome statement;
- Discussions regarding strategy for the Administration;
- Updating strategy documents;
- Distribution strategy and planning;
- Liaison with specialist teams; and
- Regular meetings regarding the status of assets.

Tax and VAT - £36,193

The following tasks were undertaken for VAT and tax compliance purposes:

- VAT reconciliation and preparation of VAT returns;
- Dealing with corporation tax and VAT queries; and
- Tax compliance.

Lehman Brothers International (Europe) (“LBIE”) recharges – £244

This is an apportionment of the costs incurred by LBIE associated with the companies which are in administration. The indirect benefit to the Company’s creditors is through cost savings from the centralisation of services. The recharges relate to:

- Administering the Cost Recharge Agreement and issuing charges;
- 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 on time costs;
- Liaising with LBIE over the closing out of recharge position for building and occupancy and other costs; and
- Dealing with sundry ad-hoc requests.

Section 8 Joint Administrators' estimate of future time costs

LB PTG's principal remaining asset is its £210.6m unsecured claim against ESH. The Administrators are considering the most efficient strategy for realising and distributing the remaining assets to the Company's creditors. In the meantime, the Administrators continue to actively progress all other matters pertaining to the estate.

The Administrators estimate that their future time costs and disbursements to complete the Administration will be c.£400k, broadly analysed as follows:

	(£000)
Accounting and treasury	50
Strategy and planning	200
Statutory and other compliance	50
Tax and VAT	100

Relationships

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

Details of subcontracted work

Certain centralised services are undertaken on behalf of LB PTG by employees retained by LBIE; this includes the provision of certain tax and VAT services and key staff resource. The costs of such services are recharged to LB PTG on a time costs basis and are disclosed separately as part of the Administrators' fee analysis.

Legal and other professional firms

The Administrators have instructed the following professionals on this case. The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services:	<i>Linklaters LLP</i>	<i>Industry knowledge</i>	<i>Time costs</i>
	<i>Dentons UKMEA LLP</i>	<i>Industry knowledge</i>	<i>Time costs</i>

All professional firms instructed by the Administrators are required to provide a narrative explanation in support of invoices. All invoices are reviewed before being approved for payment. The Administrators have satisfied themselves that the level of legal and professional costs are appropriate.