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Joint Administrators' progress  
report for the period 23 September  
2016 to 22 March 2017

20 April 2017

*Lehman Brothers  
Europe Limited  
(in administration)*

High Court of Justice, Chancery Division,  
Companies Court

Case 8243 of 2008

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# Section 1 Abbreviations and definitions

The following table shows the abbreviations and insolvency terms used in this report.

<b>Abbreviation or definition</b>	<b>Meaning</b>
“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
“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 September 2016 to 22 March 2017
“Proposals”	The Administrators’ statement of proposals for achieving the purpose of the Administration, dated 14 November 2008
“SIP”	Statement of Insolvency Practice
“Stepstone”	Stepstone Mortgage Funding Limited
the “Rules”	IR86 2.106 to 2.109
“unsecured creditors”	Creditors who are neither secured nor preferential
“VAT”	Value Added Tax

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## ***Section 2 Purpose of the Administrators' progress report***

### ***Introduction***

This is the 17<sup>th</sup> 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 16 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.

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## ***Future reports***

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

Signed:



D Y Schwarzmann  
Joint Administrator  
Lehman Brothers Europe Limited

*DY Schwarzmann, 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.*

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## **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 \$9.4m in dividends from LBHI and its US debtor affiliates, including \$2.1m received during the Period.

##### **b) LBL**

The Administrators consider that LBL is a debtor of the Company and in October 2014 made a claim against LBL in the sum of £447m. 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 Stepstone, resulting in recoveries of £0.1m in the Period.

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

#### **Creditor claims**

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

As outlined in previous reports, 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 was heard on appeal before the Supreme Court on 17 October 2016 and judgement is awaited;
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.

Similar claims have also been made against LBIE.

As previously reported, proceedings known as Waterfall III are now under way which, amongst other matters, 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. On 4 November 2016, the Judge assigned to the Waterfall III proceedings ordered that the trial be split, with certain legal issues being tried during January/February 2017, and the remaining issues, being those that related to the establishment of factual matters (including the issues relating to LBL's ability to recharge items 1, 2 and 3 above to LBEL) being heard at a Hearing in September 2017. The issues directly impacting upon LBEL in respect of the alleged recharges, which need to be decided before any further distributions can be made in LBEL's administration, are all to be dealt with at the Hearing in September 2017 and were not within the scope of the January/February Hearing.

Some of the issues that were the subject of the January/February Hearing related to or will be impacted by the issues that are currently being decided by the Supreme Court in the Waterfall I proceedings. As such, at the conclusion of the Hearing, the Judge indicated that he would not give judgment until the Supreme Court judgment in the Waterfall I proceedings has been handed down, the timing of which is unknown.

Following the Hearing, the parties continue to work on investigating factual matters, as evidence on the factual issues is due to be exchanged in late spring/early summer in advance of the trial of the factual issues (including the issues relating to LBL's ability to recharge items 1, 2 and 3 above to LBEL) in September 2017.

In relation to LBL's claim numbered 4 above, the £180m figure was based on the claim made by the landlord which was disputed by LBL. During the Period that claim was settled although the impact of the settlement on the recharge has not yet been finalised.

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

During the Period discussions have taken place between the Administrators and the other parties to the Waterfall III proceedings to consider the basis on which those proceedings might be settled. Further updates on developments will be provided as appropriate.

## ***Surplus***

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

## ***Taxation***

All corporation tax returns up to and including the year ended 5 October 2013 have been agreed by HMRC. The corporation tax returns for the year ended 5 October 2014 and the year ended 5 October 2015 have been submitted to HMRC, but the HMRC review period is still open.

The 2016 financial accounts have been compiled in preparation for the drafting of the 2016 corporation tax return.

The 2017 Finance Bill published by the UK government on 20 March 2017, includes legislation in respect of changes to corporation tax loss relief that will apply from April 2017. This new legislation may affect the utilisation of LBEL's losses carried forward. LBEL has £7.0m of tax losses carried forward as at 5 October 2015.

The Administrators have complied with their obligations under the Senior Accounting Officer legislation and submitted the 2015 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 total receipts in the Period of £16k in relation to the May 2016 and August 2016 VAT returns. A VAT repayment of approximately £20k for the November 2016 VAT return has been received by the VAT group representative member and is in the process of being distributed. In the Period, work commenced to prepare the return for the February 2017 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 orders and 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.

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## Section 4 Statutory and other information

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<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.

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## ***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 £23.3m (excluding VAT) has been drawn in accordance with the above approval. Based on the value of the property realised to date, a further £0.02m 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.

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

A total of £68 in Category 2 disbursements and £1,055 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](mailto: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 for the six months to 22 March 2017, and a cumulative total since commencement of the Administration, is set out in Section 6.

Significant receipts in the Period include:

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

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

- £0.5m in respect of legal fees; and
- £0.8m in Administrators' fees.

Total cash held as at 22 March 2017 was approximately £277m (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. The returns from money market deposits are currently greater than those earned on UK Government Treasury Bills of the same duration, so the proposed strategy to invest in the latter (as reported in the previous progress report) has not been progressed.

### ***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 £65,172 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 £0.02m 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.

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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

RECEIPTS	As at 22 March 2017			As at 22 March 2017 TOTAL GBP equivalent £	Movements 23 September 2016 to 22 March 2017 (GBP equivalent) £	As at 22 September 2016 (GBP equivalent) RESTATED at 22 March 2017 exchange rate £	As at 22 September 2016 (GBP equivalent) £
	GBP (£)	US (\$)	EUR (€)				
	000's	000's	000's	000's	000's	000's	000's
Book debts	4,108	19,781	21,373	38,465	1,842	36,623	35,801
GMRA settlement agreement proceeds	371,589	-	-	371,589	-	371,589	371,589
Interest	4,630	34	110	4,752	260	4,492	4,491
Corporation tax repayment	48,443	-	-	48,443	-	48,443	48,443
VAT repayment	3,222	-	-	3,222	36	3,186	3,186
Foreign currency conversions*	30,315	-	1,541	31,649	1,745	29,904	29,893
<b>Receipts Grand Totals</b>	<b>462,307</b>	<b>19,815</b>	<b>23,024</b>	<b>498,120</b>	<b>3,883</b>	<b>494,237</b>	<b>493,403</b>
<b>PAYMENTS</b>							
Employee costs	6,067	80	67	6,189	20	6,169	6,166
Building and occupancy costs	952	-	-	952	-	952	952
Legal fees	3,448	240	-	3,640	476	3,164	3,156
Tax function costs	350	-	6	355	-	355	356
Payment for group relief losses	4,925	-	-	4,925	-	4,925	4,925
Distribution to unsecured creditors	87,851	-	2,677	90,168	-	90,168	90,148
Pension settlement	50,418	-	-	50,418	-	50,418	50,418
Administrators' remuneration**	27,814	-	-	27,814	780	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	19,482	20,165	34,322	1,705	32,617	31,813
<b>Payments Grand Totals</b>	<b>183,547</b>	<b>19,802</b>	<b>22,915</b>	<b>221,255</b>	<b>2,981</b>	<b>218,274</b>	<b>217,441</b>
<b>NET POSITION</b>	<b>276,760</b>	<b>13</b>	<b>109</b>	<b>276,865</b>	<b>902</b>	<b>275,963</b>	<b>275,962</b>
<b>CASH BALANCES</b>							
HSBC	2,299	13	109	2,404			
Money markets	274,460	-	-	274,460			
<b>Total Cash</b>	<b>276,760</b>	<b>13</b>	<b>109</b>	<b>276,865</b>			

### Exchange rate as at 22 September 2016

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

### Exchange rate as at 22 March 2017

US\$ 1 : GBP	0.8015
EURO €1 : GBP	0.8657

### Amounts include VAT where applicable

\* The difference in total GBP equivalents arises from converted sums being restated at exchange rates as at the end of each reporting period. No actual gains/losses on currency were made in the Period.

\*\* This amount includes £2.76m that had previously been paid by another Lehman Group company on behalf of LBEL.

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# ***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 £0.3m 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 £274m held on deposit;
- Monitoring of credit limits and counterparty credit ratings, credit default swap prices and market capitalisation to minimise risk;
- Moving deposits between counterparties when credit limits or counterparty credit ratings are not in line with the investment strategy;
- Ensuring deposits are repaid from counterparty banks on the correct value date;
- Preparing and reviewing the receipts and payments reports, authorising all payments and reviewing and managing cashflow;
- Producing monthly management and ad hoc reporting; and
- Investigating future investment options.

### **Claims due to and from LBEL**

The Administrators have a duty to act in the best interests of all creditors. 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;
- Investigating evidence provided by LBL and agreeing as many parts of the inter-company position as possible; and
- Calculating creditors' potential entitlements to post-Administration statutory interest and how potential issues such as currency conversion claims will be dealt with.

### **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 team meetings;
  - 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 16th progress report and circulating to all creditors;
- Ensuring Administrators' statutory obligations are discharged;
- Ensuring that time recording is properly managed and reviewed;
- Preparing the budget for future Administration costs; and
- Updating the compliance database and the Administrators' internal databases.

### **Tax and VAT compliance**

The following activities were undertaken in compliance with duties as proper officers for tax. Corporation tax losses calculated may be used to shelter future profits:

- Preparing and finalising the 2016 accounts for corporation tax purposes;
- Updating the tax provisions;
- Analysing the tax treatment of the LBL claim;
- Reviewing options in respect of LBEL's Italian branch;
- Complying with Senior Accounting Officer provisions;
- Finalising VAT reconciliations for the returns submitted in 2014, 2015 and preparation of VAT reconciliations for VAT returns submitted in 2016;
- Finalising and submitting the VAT returns for the August and November 2016 quarter ends;
- Commencing work for preparation of the February 2017 quarter end VAT return;
- 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 determine 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 the Administrators' six monthly and 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;
- Preparation of VAT reconciliations for 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.



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