
***Eldon Street Holdings
Limited –
In Administration***

Joint Administrators' progress
report for the period 9 December
2010 to 8 June 2011

6 July 2011

Contents

Section 1	<i>Purpose of the Joint Administrators' progress report</i>	3
Section 2	<i>Joint Administrators' actions to date</i>	4
Section 3	<i>Statutory and other Information</i>	5
Section 4	<i>Financial Information</i>	6
Section 5	<i>Receipts and payments account for the period ended 8 June 2011</i>	7
Section 6	<i>Joint Administrators' time costs for the period 9 December 2008 to 30 April 2011</i>	8

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the fifth progress report by the Joint Administrators (the "Administrators") of Eldon Street Holdings Limited ("Eldon Street" or the "Company") pursuant to Rule 2.47(3)(a) of the Insolvency Rules 1986.

This report provides an update on the work the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 8 June 2011.

Objectives of the Administration

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

The specific aims of this Administration are to:

- Protect and control the Company's assets; and
- Maximise value for the Company from its real estate interests, inter-company debtors and shareholdings in subsidiary companies.

Outcome for creditors

As previously advised, the Pensions Regulator listed Eldon Street as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that a Financial Support Direction should not be issued against Eldon Street. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that Eldon Street will not have liability under an FSD. Accordingly, the Administrators have written to the trustees of the pension scheme in order to obtain clarification on whether a liability under an FSD will fall to Eldon Street.

Based on the level of realisations to date and the quantum of claims recorded in the Company records, the Administrators anticipate that there should be funds available to allow a distribution to be made to creditors.

The Administrators currently consider that the exit route most likely to give the best result to creditors is to make an application to Court for permission to distribute to creditors and to proceed to have the Company dissolved once the assets available to creditors have been distributed.

Given the ongoing uncertainty regarding the FSD process, the timing of any initial dividend to creditors remains uncertain.


Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue and ongoing asset realisations, the Administrators are expecting to apply to Court for a further extension to the Administration in due course.

Future reports

The Administrators' next progress report to creditors will be sent in approximately six months, or when the Administration comes to an end, whichever is sooner.

Signed:



DA Howell
Joint Administrator
Eldon Street Holdings Limited

Section 2 Joint Administrators' actions to date

Overview of the Company

Eldon Street was incorporated as a holding company for a number of the Lehman Brothers' group real estate investments.

The two key categories of Eldon Street's assets are intercompany receivables and direct equity investments.

Administrators' actions to date

In the period the Administrators have realised £349,527 in respect of the sale of tax losses to group companies and £169,132 in respect of recharges of tax function costs. These costs are a reallocation of costs incurred by a centralised tax team.

The amount due from the intercompany receivables remains uncertain at this time. The Administrators have submitted claims in a number of debtor estates, however none of these claims have yet been formally admitted. We are working with the debtors to ensure that the claims are fully evidenced and that the highest possible claim is admitted.

It is anticipated that there will be realisations from Eldon Street's subsidiary investments however the timing and quantum of the realisations remains uncertain.

The Administrators continue to work closely with the independent directors appointed to a number of the solvent Eldon Street subsidiaries and have met payments on behalf of those subsidiaries which have no immediately available cash resources. Such payments are only being made where the Administrators expect recoveries from the subsidiary to exceed the costs.

The Administrators have prepared and submitted tax and financial accounts to the relevant authorities.

Dividend Prospects

The Administrators anticipate that there will be sufficient realisations to allow for a dividend to be paid to unsecured creditors but are not yet able to estimate the value or timing of any such dividend.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 11056 of 2008
<i>Full name:</i>	Eldon Street Holdings Limited
<i>Trading name:</i>	Eldon Street Holdings Limited
<i>Registered number:</i>	04108165
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ
<i>Company directors:</i>	IM Jameson (resigned 17/07/09), AJ Rush (resigned 17/07/09)
<i>Company secretary:</i>	M Smith (resigned 25/01/09), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	9 December 2008
<i>Administrators' names and addresses:</i>	DA Howell, AV Lomas, DY Schwarzmann, SA Pearson and MJA Jervis of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address:</i>	High Court of Justice, Chancery Division, Companies Court
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for Eldon Street's creditors as a whole than would be likely if Eldon Street was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	The current joint administrators of Eldon Street are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmann of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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 persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	An extension was granted by the High Court of Justice until 30 November 2011.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	The Administrators expect to pay a dividend, though it is too early to estimate the likely timing and quantum.
<i>Estimated values of the prescribed part and Eldon Street's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

Section 4 Financial Information

Administrators' remuneration

At the meeting of creditors which was held by correspondence on 13 February 2009, creditors resolved that the Administrators' remuneration 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 the period to 8 June 2011, the Administrators have drawn remuneration of £821,744 in respect of the period 9 December 2008 to 31 December 2009.

Attached at Section 6 is a summary of the Administrators' time costs for the period 9 December 2008 to 30 April 2011, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Receipts and payments account

An account of the receipts and payments in the Administration to 8 June 2011 is set out overleaf.

As stated earlier, certain costs have been incurred on behalf of subsidiaries.

Section 5 Receipts and payments account for the period ended 8 June 2011

	As at 8 Jun 2011			As at 8 Dec 2010			Movements		
	GBP (£)	EUR (€)	SEK (kr)	GBP (£)	EUR (€)	SEK (kr)	GBP (£)	EUR (€)	SEK (kr)
Receipts									
Corporation Tax Refund	31,500	-	-	31,500	-	-	-	-	-
Dividends from subsidiary	300,000	-	-	300,000	-	-	-	-	-
Interest	14,774	-	-	11,271	-	-	3,503	-	-
Recovery of intercompany loan	280,000	300,000	-	280,000	-	-	-	300,000	-
Sale of tax losses	367,123	-	-	17,596	-	-	349,527	-	-
Net tax function costs recharged	359,932	-	-	190,800	-	-	169,132	-	-
Funds held on trust	1,013,646	240,000	29,554,000	54,345	540,000	18,054,000	959,301	(300,000)	11,500,000
Total Receipts	2,366,975	540,000	29,554,000	885,512	540,000	18,054,000	1,481,463	-	11,500,000
Payments									
Accountants fees	13,250	-	-	13,250	-	-	-	-	-
Bank charges	52	51	264	52	51	264	-	-	-
Consultancy fees	9,900	-	-	5,471	-	-	4,429	-	-
Employee expenses	5,334	-	-	5,334	-	-	-	-	-
Gross wages	26,595	-	-	3,586	-	-	23,009	-	-
Legal fees	38,527	-	-	25,156	-	-	13,371	-	-
Office costs	2,669	-	-	1,341	-	-	1,328	-	-
Payments on behalf of Subsidiaries	230,493	-	-	222,105	-	-	8,388	-	-
Professional fees	94,870	-	-	94,870	-	-	-	-	-
Registrars fees	400	-	-	400	-	-	-	-	-
Statutory costs	4,320	-	-	4,320	-	-	-	-	-
Insurance	54,929	-	-	-	-	-	54,929	-	-
Office holder's fees	821,744	-	-	-	-	-	821,744	-	-
VAT	163,780	-	-	37,185	-	-	126,595	-	-
Total Payments	1,466,863	51	264	413,070	51	264	1,053,793	-	-
Intracompany Transfers									
Receipts	255,864	-	-	-	-	-	255,864	-	-
Payments	-	(300,000)	-	-	-	-	-	(300,000)	-
Net Position	1,155,976	239,949	29,553,736	472,442	539,949	18,053,736	683,534	(300,000)	11,500,000
Cash Balances									
HSBC (interest bearing)	1,155,976	239,949	29,553,736	472,442	539,949	18,053,736			
Total Cash	1,155,976	239,949	29,553,736	472,442	539,949	18,053,736			

Note: The total cash in hand calculated using the exchange rates on 8 June 2011 is equivalent to £4,293,139, of which £4,150,854 is held on trust.

Section 6 Joint Administrators' time costs for the period 9 December 2008 to 30 April 2011

Classification of work	Partner / Director		Senior Manager /		Senior Associate		Associate / Support		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Accounting and Treasury	-	-	6.70	2,615	45.90	13,016	81.96	16,176	134.56	31,807
Asset Realisations	6.30	4,986	1,037.50	352,130	2,375.73	578,421	-	-	3,419.53	935,537
Creditors	3.75	2,944	8.60	2,322	2.38	466	31.75	2,972	46.48	8,704
Statutory and Compliance	5.45	4,263	62.95	25,991	33.20	10,605	21.25	3,097	122.85	43,956
Strategy and planning	24.50	18,896	119.00	50,446	87.60	26,798	20.55	3,931	251.65	100,071
Tax and VAT	24.80	19,682	23.15	13,401	5.80	1,826	2.15	263	55.90	35,172
LBL Recharges	4.91	2,690	61.75	23,605	59.20	15,931	43.00	6,211	168.86	48,437
Grand Total	69.71	53,461	1,319.65	470,510	2,609.81	647,063	200.66	32,650	4,199.83	1,203,684

The Joint Administrators' policy for charging for disbursements is:

Photocopying is charged at 3p per sheet for creditors and bulk copying
Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)
All other disbursements are charged at cost

Total

Costs to date (£)
1,194.00
1,194.00

Current charge out rates	Business	Specialist*	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 remuneration is to be paid as and when funds become available at the charge-out rates shown for the various grades of staff who may be involved in this administration
Grade	Max £/hr	Max £/hr	
Partner	800	980	*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 give an indication of the maximum rate per hour.
Director	610	890	
Senior manager	470	830	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 inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.
Manager	395	605	
Senior Associate	330	330	
Associate / Support Staff	210	195	

Summary of the Joint Administrators' time costs for the period 9 December 2008 to 30 April 2011

Accounting and treasury - £31,807

- Preparation of receipts and payments account for statutory reporting;
- Preparation of receipts and payments vouchers;
- Reconciliation of bank accounts; and
- Monitoring flow of funds into the bank accounts.

Asset Realisations - £935,537

- Review of Eldon Street's investments in subsidiaries and joint ventures;
- Consideration of assets within these 19 subsidiaries to determine if ongoing support is beneficial to Eldon Street;
- Review worth of subsidiary companies;
- Provision of advice and real estate expertise to subsidiaries to maximise value;
- Logged, redirected and dealt with queries by interested parties for Eldon Street assets and investments;
- Investigated sales process;
- Preparation of accounts for 19 subsidiary companies in order to retain their value, both in real estate assets and tax assets; and
- Provision of tax knowledge to allow all subsidiaries to maximise the value of their tax losses to the group/acquire tax losses to minimise tax payable.

Creditors and counterparties - £8,704

- Reviewing creditor claims and documentation; and
- Deal with creditor queries.

Statutory and compliance - £43,956

- Dealing with statutory issues;
- Review time cost data for accuracy and completeness;
- Performed fee analysis for Administrators' update;
- Undertaking six monthly case reviews;
- Preparing four six monthly Administrators' progress reports;
- Preparation of time cost analysis for report;
- Management of case database and file; and
- Maintaining case records and database.

Strategy and planning - £100,071

- Review financial information;
- Regular review of activity on the estate by PwC staff and retained Lehman staff;
- Worked on options surrounding loan portfolio;
- Regular meetings regarding the status of assets; and
- Review of strategy, to ensure strategy is continually in line with proposals.

Tax and VAT- £35,172

- Tax planning for group companies;
- Work on tax compliance process for 2006, 2007 and 2008 and monitoring the progress of accounts and tax computation preparation processes;
- Reviewing historic tax computations to locate losses that could be utilised by group companies; and
- Tax and VAT issues.

The majority of the costs associated with the tax have been recovered via the tax function cost recharges

LBL recharges – £48,437

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies

