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

Joint Administrators' progress  
report for the period 9 June to 8  
December 2015

5 January 2016

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# Contents

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<b>Section 1</b>	<b><i>Purpose of the Joint Administrators' progress report</i></b>	<b>3</b>
<b>Section 2</b>	<b><i>Joint Administrators' actions to date</i></b>	<b>4</b>
<b>Section 3</b>	<b><i>Statutory and other Information</i></b>	<b>5</b>
<b>Section 4</b>	<b><i>Financial Information</i></b>	<b>6</b>
<b>Section 5</b>	<b><i>Receipts and payments account for the period ended 8 December 2015</i></b>	<b>7</b>
<b>Section 6</b>	<b><i>Joint Administrators' time costs</i></b>	<b>8-9</b>

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the 14th progress report prepared by the Joint Administrators (the "Administrators") of Eldon Street Holdings Limited ("Eldon Street" 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 developments made in the six months to 8 December 2015 (the "reporting period").

## 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 were 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

On 24 June 2013, the Court gave the Administrators of Eldon Street permission to agree and pay a dividend in respect of the claims of its unsecured non-preferential creditors.

To date, three dividends totalling 24.92 pence in the £ have been paid to the Company's unsecured non-preferential creditors, equating to a distribution of £113.8m to date.

The Administrators anticipate that a further interim distribution will be made to creditors within the next six months.

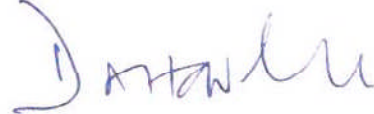
## Extension of the Administration

On 5 November 2015, the High Court granted an Order to extend the Administration by a further three years to 30 November 2018, following an application made by the Administrators.

## Future reports

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

Signed:



DA Howell  
Joint Administrator  
Eldon Street Holdings Limited

*AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Eldon Street Holdings 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/insolvencypractitioner-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 2 Joint Administrators' actions to date**

### **Overview**

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

On appointment, the key categories of assets owned by the Company were intercompany receivables and direct equity investments in subsidiaries. Eldon Street's subsidiaries hold real estate assets.

### **Administrators' actions to date**

#### **Intercompany debtors**

As previously reported, in October 2011 the Administrators entered into a settlement agreement (the "Agreement") with Lehman Brothers Holdings Inc. ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012.

Pursuant to the Agreement, Eldon Street had claims against LBHI agreed at \$661.35m and \$28.56m for its direct and guarantee claims, respectively.

In the reporting period, an eighth interim dividend of \$12.65m was received from LBHI, in respect of Eldon Street's direct and guarantee claims. To date, Eldon Street has received dividends totalling \$191m from LBHI. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Further dividends from LBHI are expected to be received on a six monthly basis.

Further distributions received during the reporting period include:

- a sixth interim distribution of £460 from Storm Funding Limited; and
- a final distribution of £264k from LB UK RE Holdings Limited ("LB UK RE").

Total distributions received from LB UK RE amount to £147k, representing 63 pence in the £ in respect of Eldon Street's admitted claim.

#### **Solvent subsidiaries**

In February 2015, five of Eldon Street's solvent subsidiaries were placed into Members' Voluntary Liquidation ("MVL") and funds of £16.8m have been paid to Eldon Street, with further funds expected from these entities in due course.

Two of Eldon Street's solvent subsidiaries will be placed into MVL within the next few months. This will result in a release of assets for the benefit of Eldon Street's creditors, however, the quantum and timing is uncertain.

The Administrators are working closely with the independent directors appointed to a number of the solvent Eldon Street subsidiaries. The Company continues to make 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 subsidiaries to exceed the costs being borne.

In addition, Eldon Street holds funds on behalf of certain of the solvent subsidiaries who do not hold independent bank accounts. These funds have been disclosed in the Receipts and Payments account as 'Funds held on Trust'.

## 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>The current Administrators' names and addresses:</i>	DA Howell, AV Lomas, JG Parr, SA Pearson and GE Bruce of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The original appointment was made by the directors of the Company, 25 Bank Street, London E14 5LE
<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>	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>	A fifth extension has been granted by the High Court of Justice until 30 November 2018.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them. However it is most likely that the Administrators will continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so in June 2013) and, once the final distribution has been made apply for the dissolution of the Company.
<i>Estimated dividend for unsecured creditors:</i>	To date, the Administrators have declared and paid three interim dividends to the Company's unsecured non-preferential creditors equating to 24.92p in the £. It is anticipated that a further interim dividend will be paid to the unsecured non-preferential creditors within the next few months.
<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.

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## **Section 4 Financial Information**

### ***Receipts and payments account***

An account of the receipts and payments in the Administration showing movements for the six months to 8 December 2015 is set out overleaf.

*Key movements in period include:*

- Intercompany debtor receipts of £265k;
- Dividends totalling \$12.6m have been received from LBHI, equivalent to c£8.4m;
- A further £48k has been earned in interest from the investment of funds on the money markets;
- The Administrators have drawn remuneration of £119k plus VAT;
- £184k paid for ESH's share of the pension related legal fees met by LB UK Financing Limited in Administration on behalf of other entities; and
- Employee costs of £128k.

### ***Administrators' remuneration***

In February 2009, Eldon Street's 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.

Attached at Section 6, is an analysis of the Administrators' time costs for the period 1 June to 30 November 2015. Pursuant to the new Statement of Insolvency Practice No.9, which came into effect on 1 December 2015, when reporting the amount of remuneration charged or expenses incurred during a period, the Administrators are required to provide figures for both the period being reported upon and on a cumulative basis. Therefore the table also shows their total time costs from the date of the Administrators' appointment to 30 November 2015. Detailed information relating to time costs for the periods to 30 May 2015 was provided in earlier reports.

Time costs for this period total £210,850 plus VAT, which represents 481.87 hours at an average hourly rate of £438.

To date, remuneration of £2,373,394 plus VAT has been drawn in respect of time costs incurred to 30 September 2015.

# Section 5 Receipts and Payments account for the period ended 8 December 2015

Notes	GBP		EUR		USD		SEK	
	As at 08-Dec-15	As at 08-Jun-15	As at 08-Dec-15	As at 08-Jun-15	As at 08-Dec-15	As at 08-Jun-15	As at 08-Dec-15	As at 08-Jun-15
<b>Receipts</b>								
Corporation Tax Refund	2,210,315	5,024	-	-	-	-	-	-
Contributions to the Pension Club Deal	11,800,000	11,800,000	-	-	-	-	-	-
Contributions from subsidiaries*	14,073,472	14,073,472	300,000	300,000	-	-	-	-
Intercompany debtors	1,231,815	666,993	-	-	199,594,473	178,046,437	-	-
Bank interest	616,701	47,841	3,093	3,093	-	-	830,487	830,487
Recovery of intercompany loan	380,000	380,000	-	-	-	-	-	-
Sale of tax losses	2,778,973	2,778,973	-	-	-	-	-	-
Net tax function costs recharged	414,124	414,124	-	-	-	-	-	-
Loans to subsidiaries	1,614	1,614	-	-	-	-	-	-
Net third party funds	8,576,668	8,811,259	4,281,814	4,281,814	-	-	31,451,100	31,451,100
Bank held on trust	42,288,142	359,544	4,584,907	4,584,907	190,694,473	178,046,437	32,274,587	32,274,587
<b>Total Receipts</b>								
<b>Payments</b>								
Bank charges	52	52	31	31	232	157	261	261
Consolidancy fees	11,440	11,440	-	-	-	-	-	-
Employer costs	5,5285	128,386	-	-	-	-	-	-
Legal fees	69,732	3,437	-	-	-	-	-	-
Office costs	8,469	8,469	-	-	-	-	-	-
Funds held on trust	5,724,992	5,724,992	-	-	-	-	-	-
Bank interest on loans to subsidiaries	11,863,000	11,863,000	-	-	-	-	-	-
Payments on behalf of subsidiaries	209,146	189,576	-	-	-	-	-	-
Professional fees	606,682	23,626	29,728	29,728	-	-	-	-
Registrar fees	95,005	95,005	-	-	-	-	-	-
IT costs	400	400	-	-	-	-	-	-
Statutory costs	41,741	41,741	-	-	-	-	-	-
Insurance	34,227	34,227	-	-	-	-	-	-
Joint Administrators' remuneration	256,791	256,791	-	-	-	-	-	-
Joint Administrators' VAT disbursements	2,373,994	118,623	-	-	-	-	-	-
Joint Administrators' VAT disbursements	1,181	1,181	-	-	-	-	-	-
Loans to subsidiaries	64,332	64,332	-	-	-	-	-	-
Irrecoverable VAT	671,022	20,137	39,779	39,779	23,536	67	264	264
<b>Total Payments</b>								
<b>Intracompany Transfers</b>								
Receipts	126,081,088	82,10,886	117,835,202	21,523	-	-	-	-
Payments	(1,611)	(1,611)	(1,611)	(1,611)	(199,694,473)	(178,046,437)	(32,274,587)	(32,274,587)
<b>Total receipts less total payments</b>								
	126,079,477	80,499,275	116,223,591	19,911,912	1,000	1,000	1,000	1,000
<b>Less: Distributions</b>								
1st dividend to unsecured creditors, declared in October 2013	56,372,350	-	56,372,350	-	-	-	-	-
2nd dividend to unsecured creditors, declared in September 2014	27,593,888	-	27,593,888	-	-	-	-	-
3rd dividend to unsecured creditors, declared in March 2015	30,880,209	-	30,880,209	-	-	-	-	-
<b>Total receipts less total payments less distributions</b>								
	31,534,830	8,105,645	23,536	23,536	1,000	1,000	1,000	1,000
<b>Cash Balances</b>								
Bank (non-interest bearing)	1,008,533	24,008	-	(24,590)	1,000	(610)	-	-
Money Markets	27,196,663	8,032,748	-	-	-	-	-	-
Net funds held on trust	3,051,076	3,109,247	-	-	-	-	-	-
<b>Total Cash</b>								
	31,256,272	8,135,763	23,536	23,536	1,000	(610)	1,000	1,000

Notes:  
 \* Includes distributions received by Bidon Street from its subsidiaries either in settlement of creditor balances or by way of a surplus due to the Company in its capacity as shareholder.  
 (1) Total Cash at 8 December 2015, based on exchange rates at 8 December 2015 was £31,256,272 of which the net amount of £31,536,000 is held on trust.  
 (2) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

# Section 6 Joint Administrators' time costs

Joint Administrators' time costs from 1 June to 30 November 2015 and cumulative total to 30 November 2015

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.30	206	15.90	7,617	54.15	17,212	48.55	11,414	118.90	36,449
Strategy and planning	26.70	21,056	88.50	45,850	21.80	7,990	4.15	961	141.15	75,857
Statutory and compliance	2.40	1,831	13.35	6,043	32.70	11,433	50.20	11,272	98.65	30,579
Tax and VAT	14.40	14,835	75.90	44,376	14.85	4,876	13.66	3,602	118.81	66,689
LBIE recharges	0.18	121	0.30	125	3.31	903	0.57	127	4.36	1,276
<b>Total for 6 months ended 30 November 2015</b>	<b>43.98</b>	<b>38,049</b>	<b>193.95</b>	<b>104,011</b>	<b>126.81</b>	<b>42,414</b>	<b>117.13</b>	<b>26,376</b>	<b>481.87</b>	<b>210,850</b>
<b>Average hourly rate for 6 month period</b>		<b>865</b>		<b>536</b>		<b>334</b>		<b>225</b>		<b>438</b>
<b>Cumulative total to 30 November 2015</b>	<b>385.16</b>	<b>303,976</b>	<b>2,254.39</b>	<b>918,378</b>	<b>3,975.68</b>	<b>1,035,234</b>	<b>1,165.65</b>	<b>245,854</b>	<b>7,780.88</b>	<b>2,503,442</b>
<b>Average hourly rate for total costs</b>		<b>789</b>		<b>407</b>		<b>260</b>		<b>211</b>		<b>322</b>

## Current charge out rates

Grade	Business Recovery Services		Specialist	
	Max £/hr		Max £/hr	
	From 1 Jan 2015	From 1 July 2015	From 1 Jan 2015	From 1 July 2015
Partner	873	899	1,225	1,262
Director	765	788	1,076	1,108
Senior manager	512	527	905	932
Manager	431	444	660	680
Senior Associate	360	271	490	505
Associate/Support Staff	229	236	228	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 increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.



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## **Summary of the Joint Administrators' time costs for the period 1 June to 30 November 2015**

### **Accounting and Treasury - £36,449**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Monitoring flow of funds into bank accounts;
- Managing funds in various institutions in order to mitigate risk;
- Dealing with funds on the money markets and inputting deals; and
- Dealing with funds held on behalf of subsidiaries and management of receipts / payments.

### **Strategy and Planning - £75,857**

- Discussions regarding strategy for the Administration and subsidiary companies;
- Review of financial information including updating the Estimated Outcome Statement;
- Updating strategy documents;
- Preparation of an application to Court to extend the Administration;
- Preparation of progress report to support extension application; and
- Discussions regarding the status of assets and closure strategy.

### **Statutory and Compliance - £30,579**

- Preparation of Administrators' 13th progress report, including circulating progress report to creditors;
- Statutory filings at Companies House and Court;
- Preparation of receipts and payments account for reports to creditors;
- Preparation of detailed remuneration summary;
- Preparation of the Administrators' six monthly review summary;
- Maintaining case files, website and database.

### **Tax and VAT- £66,689**

- Consideration of strategy with the tax team;
- Preparing and implementing tax protocol regarding the sale and purchase of tax losses;
- Reviewing strategies for sub group companies including due diligence for potential solvent liquidations;
- Dealing with Corporation Tax and VAT queries;
- Preparation of post-appointment tax computations;
- VAT reconciliation and preparation of VAT returns;
- Senior Accounting Officer work; and
- Discussions regarding tax provision and closure strategy.

### **LBIE Recharges - £1,276**

- This is an apportionment of the costs incurred by Lehman Brothers International (Europe) associated with the administration companies.