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

Joint Administrators' progress  
report for the period 9 December  
2014 to 8 June 2015

6 July 2015

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# **Section 1 Purpose of the Joint Administrators' progress report**

## **Introduction**

This is the 13th 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 June 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 creditors.

To date, three dividends totalling 24.92 pence in the £ have been paid to the Company's unsecured creditors, including a third interim dividend of 6.94 pence in the £ being declared and paid in the reporting period.

The Administrators anticipate that a further interim distribution will be made to creditors, however the quantum and timing is uncertain.

## **Extension to the Administration**

The Administration is currently due to expire on 30 November 2015. The Administrators intend to make an application to court to request a further extension within the next six months in order that they may continue to pursue the objectives of the Administration and realise the Company's remaining assets.

## **Future reports**

The Administrators will next report to creditors in approximately six months or upon the conclusion of the Administration, whichever is sooner.

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 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, a seventh interim dividend of \$16.57m was received from LBHI, in respect of Eldon Street's direct and guarantee claims. To date, Eldon Street has received dividends totalling \$178m 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.

During the period, an interim distribution of c.£124k was also received from Longmeade Limited.

#### **Solvent subsidiaries**

Following resolution of the pension matter and in February 2015, five of Eldon Street's solvent subsidiaries were placed into Members' Voluntary Liquidation ("MVL") in order to release funds for the benefit of Eldon Street's creditors. To date, realisations of £16.8m have been paid to Eldon Street, with a further funds expected from these entities in due course.

The timing and quantum of further realisations from Eldon Street's other solvent subsidiaries remain 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>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 fourth extension has been granted by the High Court of Justice until 30 November 2015.
<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>	The Administrators declared a first interim dividend of 12p in the £ to unsecured non-preferential creditors on 28 October 2013. A second interim dividend of 5.98 pence in the £ was declared on 4 September 2014 and a third interim dividend of 6.94 pence in the £ was declared on 11 March 2015 to ordinary unsecured creditors.
<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 June 2015 is set out overleaf.

#### ***Key movements in period include:***

- Intercompany debtor receipts of £124k;
- Dividends totalling \$16.6m have been received from LBHI, equivalent to c£11.1m;
- A further £42k has been earned in interest from the investment of funds on the money markets;
- The Administrators have drawn remuneration of £250k plus VAT; and
- A third interim dividend paid to unsecured creditors of £30.9m.

### ***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 a summary of the Administrators' time costs for the period 1 December 2014 to 31 May 2015, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £217,847 plus VAT, which represents 585.45 hours at an average hourly rate of £372.

To date, remuneration of £2,254,771 plus VAT has been drawn in respect of time costs incurred to 31 March 2015. Details of time costs incurred in prior periods have been provided in earlier reports.

### ***Category 2 disbursements***

The Joint Administrators' category 2 disbursements primarily comprise Liquidators' remuneration of £64,306 in relation to the MVLs of five of Eldon Street's solvent subsidiaries which has been met by the Eldon Street estate, resulting in

distributions of £16.8m for the benefit of Eldon Street's creditors.

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

Receipts	Notes	GBP		EUR		USD		SEK	
		As at 08-Jun-15	Movements In Period	As at 08-Dec-14	Movements In Period	As at 08-Jun-15	Movements In Period	As at 08-Jun-15	Movements In Period
Corporation Tax Refund		2,210,311	-	3,004,000	-	-	-	-	-
Contributions to the Pension Club Deal		11,800,000	-	17,804,464	-	-	-	-	-
Distributions from subsidiaries*	1	14,079,172	10,810,078	3,004,000	3,004,000	-	-	-	-
Intercompany debtors	2	666,305	121,281	3,093	3,093	161,468,772	161,468,772	820,487	820,487
Interest		568,860	41,986	-	-	-	-	-	-
Recovery of intercompany loan		280,000	-	-	-	-	-	-	-
Sale of tax losses		2,778,953	-	-	-	-	-	-	-
Net tax function costs recharged		414,124	-	-	-	-	-	-	-
Loans to subsidiaries		1,644	-	-	-	-	-	-	-
Net third party funds		8,854,239	830,555	4,281,814	5,163	31,353,100	31,353,100	32,274,587	32,274,587
Funds held on Trust	1	4,948,598	11,845,900	30,042,698	4,584,907	17,804,464	16,577,685	31,353,100	32,274,587
<b>Total Receipts</b>		<b>41,948,598</b>	<b>11,845,900</b>	<b>30,042,698</b>	<b>4,584,907</b>	<b>17,804,464</b>	<b>16,577,685</b>	<b>31,353,100</b>	<b>32,274,587</b>
Payments		52	-	51	-	82	-	264	-
Bank charges		11,446	-	11,446	-	157	-	75	-
Consolidation fees		436,809	74,027	362,872	-	-	-	-	-
Employee costs		666,305	60,881	605,424	-	-	-	-	-
Legal fees		8,409	-	8,409	-	-	-	-	-
Office costs		5,724,092	3,014,450	1,810,542	-	-	-	-	-
Funds held on Trust		11,800,000	-	11,800,000	-	-	-	-	-
Contribution to Pension Club Deal		25,570	-	25,570	-	-	-	-	-
Commission related legal costs		613,056	-	613,056	6,192	-	-	-	-
Payments on behalf of Subsidiaries		95,995	-	95,995	-	-	-	-	-
Professional fees		400	-	400	-	-	-	-	-
Registrars fees		41,741	-	41,741	-	-	-	-	-
IT costs		34,227	11,232	22,995	-	-	-	-	-
Statutory costs		256,791	27,010	229,781	-	-	-	-	-
Insurance		2,254,271	249,338	2,005,433	-	-	-	-	-
Joint Administrators' remuneration		1,181	-	1,181	-	-	-	-	-
Joint Administrators' Cat 1 disbursements		64,332	64,336	26	-	-	-	-	-
Joint Administrators' Cat 2 disbursements		64,332	64,336	26	-	-	-	-	-
Loans to subsidiaries		64,332	64,336	26	-	-	-	-	-
Irrecoverable VAT		64,332	64,336	26	-	-	-	-	-
<b>Total Payments</b>		<b>22,677,992</b>	<b>4,474,426</b>	<b>18,199,806</b>	<b>6,443</b>	<b>82</b>	<b>75</b>	<b>264</b>	<b>264</b>
Intracompany Transfers		-	-	-	-	-	-	-	-
Receipts		-	-	-	-	-	-	-	-
Payments	1	117,895,202	14,263,180	103,572,019	21,523	21,523	(16,577,000)	(1,121)	(32,270,000)
<b>Total Receipts less total payments</b>		<b>137,084,154</b>	<b>21,659,687</b>	<b>115,455,507</b>	<b>33,836</b>	<b>4,295,024</b>	<b>610</b>	<b>(4,323)</b>	<b>4,323</b>
<b>Less Distributions</b>		<b>55,372,350</b>	<b>-</b>	<b>55,372,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2nd dividend to unsecured creditors, declared in Oct 2013		27,593,888	-	27,593,888	-	-	-	-	-
2nd dividend to unsecured creditors, declared in Sept 2014		30,880,209	30,880,209	-	-	-	-	-	-
3rd dividend to unsecured creditors, declared in March 2015		2,898,253	(9,297,642)	32,487,569	23,836	4,295,024	610	(4,323)	4,323
<b>Total receipts less total payments less distributions</b>		<b>32,237,627</b>	<b>(9,297,642)</b>	<b>32,487,569</b>	<b>23,836</b>	<b>4,295,024</b>	<b>610</b>	<b>(4,323)</b>	<b>4,323</b>
<b>Cash Balances</b>		<b>984,163</b>	<b>632,603</b>	<b>351,862</b>	<b>23,436</b>	<b>18,373</b>	<b>610</b>	<b>-</b>	<b>-</b>
HSBC (non-interest bearing)		19,143,915	(4,041,691)	23,185,606	5,163	18,373	610	-	-
Money Markets		3,109,247	(3,080,895)	6,193,142	(4,276,661)	4,276,661	-	(4,323)	4,323
Net funds held on Trust	2	-	(2,756,669)	2,756,669	-	-	-	-	-
Net funds held on Trust - SEK conversion	3	-	-	-	-	-	-	-	-
<b>Total Cash</b>		<b>22,253,162</b>	<b>(9,297,642)</b>	<b>32,487,569</b>	<b>23,836</b>	<b>4,295,024</b>	<b>610</b>	<b>(4,323)</b>	<b>4,323</b>

Notes:

\* Includes distributions received by Eldon 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) Funds totalling £5,954,143 (£2,177,484 (£1,276,488) and £2,756,659 (\$9532,271,323) held on trust for two solvent subsidiaries have been distributed to Eldon Street as shareholder in the reporting period. These funds are in addition to the distributions received from subsidiaries who held their own bank accounts.

(2) An adjustment has been made to the prior period in order to reallocate distributions received from subsidiaries previously shown as intercompany debtor receipts.

(3) Total cash at 8 June 2015 was £21,202,773 of which the net sum of £3,126,516 is held on trust.

(4) 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 for the period 1 December 2014 to 31 May 2015

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury Strategy and Planning	0-50	332	24-70	10,755	99-05	28,529	93-45	21,400	217-70	61,016
Asset Realisations	44-85	33,806	49-50	21,723	53-65	18,708	16-85	3,859	164-85	78,096
Statutory and Compliance	-	-	0-80	410	13-70	4,932	-	-	14-50	5,342
Tax and VAT	3-45	2,698	9-90	4,491	31-20	11,154	63-82	14,322	108-37	32,665
Creditors	17-90	17,861	17-00	9,731	27-50	8,318	4-37	753	66-77	36,663
LBI Recharges	-	-	1-90	819	-	-	1-90	435	3-80	1,254
	0-87	593	2-45	756	2-08	553	4-06	909	9-46	2,811
<b>Grand Total</b>	<b>67-57</b>	<b>55,290</b>	<b>106-25</b>	<b>48,685</b>	<b>227-18</b>	<b>72,194</b>	<b>184-45</b>	<b>41,678</b>	<b>585-45</b>	<b>217,847</b>
<b>Average Hourly Rate</b>	<b>8.18</b>	<b>458</b>	<b>318</b>	<b>372</b>	<b>226</b>	<b>318</b>	<b>226</b>	<b>318</b>	<b>226</b>	<b>372</b>

Grade	Business Recovery Services				Specialist	
	Max £/hr		Max £/hr		Max £/hr	
	To 31 December 2014	From 1 January 2015	To 31 December 2014	From 1 January 2015	To 31 December 2014	From 1 January 2015
Partner	873	873	1,225	1,225	1,225	1,225
Director	665	765	1,076	1,076	1,076	1,076
Senior manager	512	512	905	905	905	905
Manager	431	431	660	660	660	660
Senior Associate	360	360	490	490	490	490
Associate/Support Staff	229	229	229	229	229	229

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.

**Tax function costs**  
 Certain group tax matters are managed through Lehman Brothers Limited ("LBL") as Group Paying Agent. When recoveries of Corporation Tax paid pre-appointment are paid to relevant estates, the associated PwC costs incurred by the relevant estates are re-appportioned by reference to quantum of refunds to each estate.

The final refund of pre-appointment Corporation Tax has now been received by LBL and redistributed to certain group companies, and the final re-apportionment of costs is now known. Eldon Street Holdings Limited has benefited from tax refunds and therefore has contributed to the costs. Time costs in relation to tax function costs of £546,234 previously reported in the Administration have been partially recovered from other estates in the sum of £451,355 as such, the costs attributable to Eldon Street Holdings Limited are £94,879. No cash movements are required however the adjustments to the report are set out below.

Classification of Work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	£	hrs	£	hrs	£	hrs	£	hrs	£	hrs
Tax function costs previously reported in Administration	3,691		200,169		342,296		78		546,234	
Tax function costs recovered	(3,050)		(105,100)		(292,841)		(61)		(451,355)	
<b>Total tax function costs attributable</b>	<b>3 hrs</b>	<b>641</b>	<b>430 hrs</b>	<b>1,473 hrs</b>	<b>59,455</b>	<b>14</b>	<b>94,879</b>			



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## **Summary of the Joint Administrators' time costs for the period 1 December 2014 to 31 May 2015**

### **Accounting and Treasury - £61,016**

- Reconciliation of bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Preparation of receipts and payments account for financial reporting;
- 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;
- Dealing with funds held on behalf of subsidiaries and management of receipts / payments; and
- Dealing with fourth and fifth dividend distributions to unsecured creditors.

### **Strategy and Planning - £78,096**

- Preparing the six monthly partner review;
- Discussions regarding strategy for the Administration and review of the strategy documents;
- Reviewing financial information including updating the Estimated Outcome Statement; and
- Update meetings regarding the status of assets and closure strategy.

### **Asset Realisations - £5,342**

- Communications with debtors.

### **Statutory and Compliance - £32,665**

- Preparation of Administrators' 12th 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; and
- Maintaining case files, website and database.

### **Tax and VAT- £36,663**

- Consideration of strategy with the tax team;
- Preparing and implementing tax protocol regarding the sale and purchase of tax losses;
- 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
- Finalising discussions regarding distributions, tax provision and closure strategy.

### **Creditors - £1,254**

- Preparation, declaration and distribution of fourth and fifth interim dividends;
- Responding to creditor queries;
- Maintaining database of creditor claims.

### **LBIE Recharges - £2,811**

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