

Eldon Street Holdings Limited – In Administration

Joint Administrators' progress
report for the period 9 June 2017 to
8 December 2017

20 December 2017

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 18th 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 in the six months to 8 December 2017 (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 are to:

- protect and control Eldon Street's assets; and
- maximise value for Eldon Street from its real estate interests, intercompany debtors and shareholdings in Eldon Street's subsidiaries.

Outcome for creditors

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

To date, the Administrators have declared and paid seven interim distributions totalling £176.9m to Eldon Street's unsecured creditors, representing a cumulative dividend of 39.482 pence in the pound. Please refer to Section 2 for further details.

The Administrators expect to be able to declare an eighth interim distribution in 2018, although the precise timing and quantum is uncertain.

Extension to the term of office

On 5 November 2015, the High Court granted the Administrators' application to extend their term of office by a further three years to 30 November 2018.

Future reports

The Administrators' next progress report to creditors will be sent in approximately six months.

Signed:



GE Bruce
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.

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

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

Debtor realisations

Lehman Brothers Holdings Inc ("LBHI")

Eldon Street's direct and guarantee claims against LBHI were admitted in the amounts of \$611.35m and \$28.56m respectively.

In the reporting period, LBHI paid two interim dividends resulting in Eldon Street receiving a further \$10.4m and \$0.5m in respect of its direct and guarantee claims respectively. Cumulative dividends from LBHI total \$226.5m.

All receipts in USD are in the process of being converted to GBP to minimise any foreign exchange loss risk.

Future dividend receipts are anticipated from LBHI on a six monthly basis.

Lehman Brothers Holdings plc ("LBH")

Eldon Street has an admitted claim against LBH of £31.3m. In the reporting period, LBH declared and paid a third interim dividend of £19.7m, representing 62.963 pence in the pound. Cumulative receipts from LBH total £21.7m.

The quantum and timing of further dividends from LBH remain uncertain.

Solvent subsidiaries

During the reporting period, the Administrators have continued to work closely with the independent directors of the three remaining solvent subsidiaries. The Administrators are looking to reorganise the underlying assets of the remaining subsidiaries in order to maximise recoveries for creditors and reduce operational costs. This may, if considered to be in the best interests of creditors, lead to one or more of those subsidiaries being placed into Members' Voluntary Liquidation ("MVL"). The Administrators will provide an update to creditors in our next report.

The Company continues to make payments on behalf of the three solvent subsidiaries, which have no readily available cash. Such payments are only being made where the Administrators expect recoveries from the subsidiaries to significantly exceed the costs being borne. In order to mitigate costs, the Administrators are continuing to take steps to transfer the joint venture investments into a single subsidiary.

Eldon Street also holds funds on behalf of some of the subsidiaries, which do not hold independent bank accounts. These funds have been disclosed in the receipts and payments account as 'Funds held on trust'. It is anticipated that these funds will be distributed in specie to Eldon Street in due course.

Funds received from subsidiaries (including the 7 subsidiaries which are now dissolved) total £20m.

Distributions to creditors

On 11 September 2017, the Administrators made a seventh interim distribution to unsecured creditors of 6.062 pence in the pound. As a result, £176.9m has now been distributed to the Company's unsecured creditors, equating to a cumulative dividend of 39.482 pence in the pound.

Corporation Tax

The corporation tax return for the 2015 period has been submitted and HM Revenue & Customs ("HMRC") has until 31 July 2018 to enquire into the return. The corporation tax return for the period 2016 has been drafted showing a nil tax position

after own loss relief. There are losses carried forward of £7.8m.

The company is VAT exempt. All group VAT returns are up to date.

Finance (No.2) Act 2017

The Finance (No.2) Act 2017 which received Royal Assent on 16 November 2017 included legislation in respect of changes to the use of corporation tax loss relief that applies from April 2017.

In summary the main changes to the loss relief rules are:

- (1) Companies will only be able to use losses carried forward against up to 50% of their profits above £5m (this is a group cap); and
- (2) The current streaming rules in relation to the use of losses will be amended to allow losses arising on or after 1 April 2017 to be usable, when carried forward, against profits from other income streams (i.e. carried forward trading losses may be used against non-trading profits) and, profits of other group companies (i.e. carried forward losses may be claimed/ surrendered as group relief).

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 corporation tax reforms in future reports as and when there is more clarity on the implications for the Company.

Investigations and actions

Nothing has come to the Administrators' attention in the course of the Administration or during the reporting period to suggest that any further work is required in accordance with the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice 2.

Outstanding matters

The Company remains in Administration to realise its assets, which are principally dividends due from its remaining solvent subsidiaries, LBH and LBHI.

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>	7 More London Riverside, London, SE1 2RT, United Kingdom
<i>Date of the Administration appointment:</i>	9 December 2008
<i>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>	High Court of Justice, Chancery Division, Companies Court, The Roll's Building , 7 Rolls Building, Fetter Lane, London EC4A 1NL (former address The Strand, London WC2A 2LL) on the application of 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) of schedule B1 to the Insolvency Act 1986, 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>	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 30 November 2018.

Section 4 Financial information

Receipts and payments account

An account of the receipts and payments for the reporting period, together with a cumulative total since commencement of the Administration, is set out in Section 5.

Key movements in the reporting period include:

- Debtor receipts of £19.7m and \$10.9m;
- Seventh interim distribution to unsecured creditors of £26.3m; and
- Administrators' fees of £0.2m plus VAT.

Administrators' expenses

Set out in Section 6 is a statement of the expenses that the Administrators have incurred from the date of their appointment to 8 December 2017, together with an estimate of future expenses.

Administrators' remuneration

In February 2009, the Administrators requested and received approval from Eldon Street'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.

The following information has been provided in Section 7:

(i) an analysis of the Administrators' time costs for the period 1 June 2017 to 30 November 2017, including the cumulative total time costs from the date of the Administrators' appointment to 30 November 2017; and

(ii) a summary of the Administrators' time costs for the period 1 June 2017 to 30 November 2017 including the key categories of 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 required by statute.

As at 8 December 2017, the Administrators have drawn remuneration of £3.3m plus VAT in respect of time costs incurred to 30 September 2017.

Time costs for the six months to 30 November 2017 total £202,906 plus VAT, which represents 531 hours at an average hourly rate of £382.

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 the Administrators' fees.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs and insolvency office holders' insurance.

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

The Administrators incurred Category 1 disbursements of £334 plus VAT in the reporting period. These have not yet been paid. No Category 2 disbursements were incurred or paid.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 Insolvency (England & Wales) Rules 2016 ("IR16"). Any request must be in writing. Creditors can also challenge our fees and expenses within eight weeks of receiving this report as set out in Rule 18.34 IR16. This information can also be found in the guide to fees at:

<http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20to%20administrators%20fees%2010407.ashx>

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

Section 5 Receipts and payments account for the period ended 8 December 2017

	GBP			EUR			USD			SEK		
	Movements		8 Jun 2017	Movements		8 Jun 2017	Movements		8 Jun 2017	Movements		8 Jun 2017
	8 Dec 2017	in period		8 Dec 2017	in period		8 Dec 2017	in period		8 Dec 2017	in period	
Receipts												
Corporation Tax refund	2,215,365	-	2,215,365	-	-	-	-	-	-	-	-	-
Contribution to the Pension Club Deal	11,800,000	-	11,800,000	-	-	-	-	-	-	-	-	-
Distributions from subsidiaries (Note 1)	17,198,977	-	17,198,977	300,000	-	300,000	-	-	-	-	-	-
Intercompany debtors	21,773,625	19,743,028	2,030,597	-	-	-	226,463,122	10,848,390	215,614,732	-	-	-
Bank interest	698,698	10,552	688,146	3,093	-	3,093	3,392	659	2,733	820,487	-	820,487
Recovery of intercompany loan	280,000	-	280,000	-	-	-	-	-	-	-	-	-
Sale of tax losses	2,933,341	-	2,933,341	-	-	-	-	-	-	-	-	-
Net tax function costs recharged	414,124	-	414,124	-	-	-	-	-	-	-	-	-
Sale of creditor claims	1,100,000	-	1,100,000	-	-	-	-	-	-	-	-	-
Net third party funds	1,644	-	1,644	-	-	-	-	-	-	-	-	-
Funds held on trust	8,865,407	-	8,865,407	4,911,814	-	4,911,814	-	-	-	31,454,100	-	31,454,100
Total receipts	67,281,181	19,753,580	47,527,601	5,214,907	-	5,214,907	226,466,514	10,849,049	215,617,465	32,274,587	-	32,274,587
Payments												
Bank charges	52	-	52	51	-	51	732	171	561	264	-	264
Consultancy fees	11,446	-	11,446	-	-	-	-	-	-	-	-	-
Employee costs	857,024	40,136	816,888	-	-	-	-	-	-	-	-	-
Legal fees	785,280	20,488	764,792	-	-	-	-	-	-	-	-	-
Serviced Office Provision	13,414	-	13,414	-	-	-	-	-	-	-	-	-
Funds held on trust	8,855,499	-	8,855,499	630,000	-	630,000	-	-	-	-	-	-
Contribution to Pension Club Deal	11,800,000	-	11,800,000	-	-	-	-	-	-	-	-	-
Pension related legal costs	209,146	-	209,146	-	-	-	-	-	-	-	-	-
Payments on behalf of subsidiaries (Note 2)	775,089	11,100	763,989	29,728	-	29,728	-	-	-	-	-	-
Professional fees	95,905	-	95,905	-	-	-	-	-	-	-	-	-
Registrars fees	400	-	400	-	-	-	-	-	-	-	-	-
IT costs	41,741	-	41,741	-	-	-	-	-	-	-	-	-
Statutory costs	74,581	8,383	66,198	-	-	-	-	-	-	-	-	-
Insurance	314,167	-	314,167	-	-	-	-	-	-	-	-	-
Joint Administrators' remuneration	3,344,846	214,563	3,130,283	-	-	-	-	-	-	-	-	-
Joint Administrators' category 1 disbursements	1,596	-	1,596	-	-	-	-	-	-	-	-	-
Joint Administrators' category 2 disbursements	26	-	26	-	-	-	-	-	-	-	-	-
Irrecoverable VAT (Note 3)	911,916	50,905	861,011	-	-	-	-	-	-	-	-	-
Total payments	28,092,128	345,575	27,746,553	659,779	-	659,779	732	171	561	264	-	264
Intracompany transfers												
Receipts	145,969,072	3,405,296	142,563,776	21,523	-	21,523	-	-	-	-	-	-
Payments	(1,644)	-	(1,644)	(4,576,651)	-	(4,576,651)	(215,029,561)	(4,477,737)	(211,451,824)	(32,274,323)	-	(32,274,323)
Total receipts less total payments	185,156,481	22,813,301	162,343,180	-	-	-	10,536,221	6,371,141	4,165,080	-	-	-
Less: Distributions												
1st dividend to unsecured creditors of 12p in the £, declared on 29 Oct 2013	55,372,350	-	55,372,350	-	-	-	-	-	-	-	-	-
2nd dividend to unsecured creditors of 5.98p in the £, declared on 4 Sep 2014	27,593,888	-	27,593,888	-	-	-	-	-	-	-	-	-
3rd dividend to unsecured creditors of 6.94p in the £, declared on 11 Mar 2015	30,880,299	-	30,880,299	-	-	-	-	-	-	-	-	-
4th dividend to unsecured creditors of 5.6p in the £, declared on 9 Mar 2016	24,256,382	-	24,256,382	-	-	-	-	-	-	-	-	-
5th dividend to unsecured creditors of 1.65p in the £, declared on 9 Sept 2016	4,006,955	-	4,006,955	-	-	-	4,163,345	-	4,163,345	-	-	-
6th dividend to unsecured creditors of 1.25p in the £, declared on 6 Feb 2017	5,414,371	-	5,414,371	-	-	-	-	-	-	-	-	-
7th dividend to unsecured creditors of 6.062p in the £, declared on 11 Sep 2017	26,256,130	26,256,130	-	-	-	-	-	-	-	-	-	-
Total distributions	173,780,375	26,256,130	147,524,245	-	-	-	4,163,345	-	4,163,345	-	-	-
Total receipts less total payments less distributions	11,376,106	(3,442,829)	14,818,935	-	-	-	6,372,876	6,371,141	1,735	-	-	-
Cash balances												
HSBC (Note 4)	1,074,060	157,250	916,810	-	-	-	6,372,876	6,371,141	1,735	-	-	-
Money Markets (Note 5)	10,302,046	(3,600,079)	13,902,125	-	-	-	-	-	-	-	-	-
Total Cash (Note 6)	11,376,105	(3,442,830)	14,818,935	-	-	-	6,372,876	6,371,141	1,735	-	-	-

Notes:

- (1) 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.
- (2) Payments on behalf of subsidiaries include audit fees and professional costs.
- (3) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- (4) The Company's GBP and USD accounts are interest bearing. The EUR and SEK accounts are not interest bearing.
- (5) Funds are invested on the money markets in order to accrue interest and to manage risk.
- (6) Total cash at 8 December 2017 based on exchange rates at 8 December 2017 was £16,140,517.
- (7) The estimated to realise values of assets shown in the directors' statement of affairs do not represent a meaningful comparison with the current position and are therefore excluded.
- (8) All of the Company's assets are uncharged, there being no secured creditors.

Section 6 Expenses

The information in the table below 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 payments made on behalf of subsidiaries and any potential tax liabilities, other than VAT, that may be payable as an Administration expense. Tax amounts becoming due will depend on the position at the end of the accounting period and the impact of any tax reform.

The table should be read in conjunction with the receipts and payments account in Section 5, which shows expenses actually paid during the period and the total paid to date but excludes those incurred which have not yet been paid.

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 and disbursements	765	20	785	12	318	1,115
Pension related legal costs	209	-	209	-	-	209
Employee wages and associated costs	830	40	870	6	454	1,330
Administrators' remuneration and disbursements	3,196	215	3,411	46	998	4,455
Insurance	314	-	314	-	100	414
Statutory costs	66	8	74	-	28	102
Other supplier costs e.g. bank charges	140	11	151	-	59	210
Irrecoverable VAT	861	51	912	12	281	1,204
Total	6,381	285	6,726	76	2,238	9,039

Section 7 Joint Administrators' time costs for the period 1 June 2017 to 30 November 2017

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.35	287	15.55	7,214	27.95	8,476	58.20	14,157	102.05	30,134
Strategy and planning	30.60	24,847	48.45	22,830	12.95	3,739	72.60	13,986	164.60	65,402
Asset realisations	2.80	2,296	35.70	19,564	0.40	154	0.10	25	39.00	22,039
Creditors and distributions	0.80	656	19.15	9,118	35.90	10,311	2.05	502	57.90	20,587
Statutory and other compliance	3.70	3,149	34.95	16,218	20.65	5,872	35.80	8,536	95.10	33,775
Tax and VAT	-	-	8.90	5,490	59.30	24,673	3.90	806	72.10	30,969
Total for the period 1 June 2017 to 30 November 2017	38.25	31,235	162.70	80,434	157.15	53,225	172.65	38,012	530.75	202,907
Average hourly rate for the six month period to 30 November 2017										382
Cumulative total to 30 November 2017										3,391,257

Current charge out rates	Business Recovery Services		Specialist	Specialist
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Grade	From 1 July 2015	From 1 July 2017	From 1 July 2015	From 1 July 2017
Partner	899	935	1,262	1,312
Director	788	820	1,108	1,152
Senior Manager	527	548	932	969
Manager	444	462	680	707
Senior Associate	371	386	505	525
Associate/Support Staff	236	245	235	244

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 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 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.

Charge-out rates were held unchanged from 1 July 2012 to 30 June 2015. An increase of 3% in charge-out rates was effective from 1 July 2015 to 30 June 2017. An increase of 4% in charge-out rates is effective from 1 July 2017, and in line with other Group affiliates controlled by PricewaterhouseCoopers LLP's office holders, this approach is also used for ESH.

Note:

The cumulative total refers to the time costs incurred for the period 9 December 2011 to 30 November 2017, of which £3,344,846 has been drawn as fees.

Summary of the Joint Administrators' time costs for the period 1 June 2017 to 30 November 2017

Accounting and treasury - £30,134

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:

- Reconciliation of bank accounts;
- Provision of information for the purposes of statutory reporting;
- Arrangement of receipts and payments and coding of movements;
- Monitoring flow of funds into bank accounts;
- Daily monitoring of funds held to ensure that the optimal level of funds are held on deposit;
- Analysis of interest rates available with counterparties;
- Managing funds in various institutions in order to mitigate risk;
- Verifying creditor payment details and processing seventh dividend payments;
- Dealing with funds on the money markets and inputting deals; and
- Dealing with funds held on behalf of subsidiaries and management of receipts and payments.

Strategy and planning - £65,402

The Administrators and their staff continue to invest 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 anticipate that the Company will be dissolved after conclusion of the Administration.

Activities include:

- Review of the strategy for the Administration in relation to various matters and regular team meetings to consider case progression;
- Ongoing review of assets in subsidiary companies and determining strategies to best manage these in order to achieve closure thereof;
- Liaison with the independent directors of the remaining solvent subsidiaries regarding matters arising in relation to third parties and the impact on the timing of placing those entities into MVL;
- Discussions with stakeholders in regards to this strategy;
- Planning and delivering the strategy for the seventh interim distribution to creditors;
- Review of financial information including updating the estimated outcome statement; and
- Updating strategy documents.

Asset realisations - £22,039

The Administrators continue to invest time realising assets for the benefit of creditors. Recoveries from debtors in the reporting period total £19.7m and \$10.9m.

Activities include:

- Liaising with team working on the liquidations of Eldon Street's solvent subsidiaries;
- Dealing with receipts from LBHI and LBH;
- Reviewing and amending legal documents; and
- Overseeing the independent directors of subsidiaries which continue to hold and manage assets.

Creditors and distributions - £20,587

The following tasks were undertaken in accordance with the Administrators' statutory duties and to distribute the Company's assets to its creditors.

Activities include:

- Preparing and advertising notice of intended dividend for the seventh distribution;
- Calculation the seventh interim dividend to unsecured creditors;
- Updating the estimated outcome statement;
- Maintaining creditor schedules;
- Responding to creditor queries; and
- Ensuring compliance with new Insolvency Rules 2016 regarding unsubmitted "small debt" claims.

Statutory and compliance - £33,775

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

- Preparation of the Administrators' 17th progress report;
- Preparing and reviewing receipts and payments account for reports to creditors;
- Preparing and reviewing detailed time cost information in support of the Administrators' remuneration;
- Circulating the progress report to creditors;
- Statutory filings at Companies House and Court;
- Carrying out the Administrators' six monthly case reviews;
- Liaising with the Administrators' on statutory issues; and
- Maintaining case files, website and database.

Tax and VAT - £30,969

The following tasks were undertaken for VAT and tax compliance purposes and in some circumstances for the benefit of creditors.

- Consideration of strategy with the tax team;
- Preparation of post-appointment tax computations;
- VAT reconciliation and preparation of VAT returns to account for the Company's output tax;
- Senior Accounting Officer work;
- Discussions regarding tax provision;
- Analysis of the tax implications of subsidiary distributions;
- Preparation for and attendance at quarterly tax update meetings;
- Preparation of the tax computations for 2016; and
- Commencing preparation of tax accounts for 2016.

Section 8 Estimated future costs and other matters

The Administrators continue to actively progress all matters pertaining to the estate. This includes liaising with the liquidators and independent directors of Eldon Street's solvent subsidiaries and collecting distributions from these entities, LBH and LBHI.

The Administrators estimate that their future time costs to complete the Administration will be £998k, broadly analysed as follows:

	£'000
Accounting and treasury	90
Strategy and planning	390
Asset realisations	85
Creditors and distributions	120
Statutory and other compliance	125
Tax and VAT	140
Disbursements	<u>48</u>
	<u>998</u>

The above figures assume that:

- The Administration will be concluded prior to 30 November 2018, when a further extension would be otherwise be required;
- Time costs relating to compliance and maintenance of the case will be incurred at a similar rate to that incurred in the reporting period; and
- There will be further distributions to unsecured creditors.

During the next six months the Administrators will continue to comply with their statutory obligations as Administrators and officers of tax, and deal with the remaining solvent subsidiaries.

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 Eldon Street by employees retained by LBIE and LB SF Warehouse Limited; this includes the provision of certain tax and VAT services and key staff resource. The costs of such services are recharged to Eldon Street on a time costs basis and are invoiced directly to the estate. This indirectly benefits the Company's creditors through cost savings from the centralisation of services.

In the reporting period, Eldon Street has paid £40k in relation to the services detailed below.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Tax Services	LBIE	Prior/Industry knowledge	Time costs
Portfolio Management	LB SF Warehouse Limited	Prior/Industry knowledge	Time costs

Legal firms

The Administrators have instructed the following professionals on this case to assist with various legal matters arising in the Administration. In addition, the directors of the subsidiaries have instructed Reed Smith LLP.

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	Linklaters LLP	Industry knowledge	Time costs
Legal services	Reed Smith LLP	Industry knowledge	Time costs

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 are satisfied that the level of legal and professional costs is appropriate.