

Eldon Street Holdings Limited – In Administration

Joint Administrators' progress
report for the period 9 June 2018 to
8 December 2018

14 December 2018

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 20th 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 2018 (the "reporting period").

Objective 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.

The Administrators have declared and paid nine interim distributions to Eldon Street's unsecured creditors totalling £208.4m, representing a cumulative dividend of 46.722 pence in the pound. Please refer to Section 2 for further details.

The Administrators expect to make further interim cash distributions, although the precise timing and quantum is uncertain.

Change of Administrators

Upon an application to the High Court of Justice (the "Court"), an Order (the "Order") was made on 2 July 2018 that with effect from 16 July 2018, R Downs and EJ Macnamara be appointed Administrators and that AV Lomas, SA Pearson and JG Parr (the "Former Administrators") cease to be Administrators of the Company.

The Court also ordered that the Former Administrators shall be released from all liability (pursuant to the relevant sections of the Insolvency Act 1986 and the IR16) in respect of their acts and omissions and otherwise in respect of their conduct as Administrators of the Company and that such release shall take effect 28 days after notification of the Order in the London Gazette. The Former Administrators were released from all liability in respect of their conduct as Administrators on 15 August 2018, no applications having been made to the Court by creditors to vary or discharge the Court Order.

Extension to the term of office

The Administration was due to expire on 30 November 2018. Following the Administrators' application to Court to request a further extension of the Administration, an Order was granted by the Court extending the Administrators' term of office to 30 November 2020. This will enable the Administrators to continue to realise Eldon Street's assets and make further distributions to its creditors.

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

GE Bruce, DA Howell, EJ Macnamara and R Downs 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 may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

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 \$611.4m and \$28.6m respectively.

In the reporting period, Eldon Street received a 16th distribution of \$173.6k from LBHI in respect of its guarantee claim which is its sole remaining claim against LBHI. This brings cumulative dividends from LBHI to \$400.2m.

Future dividends for Eldon Street on its guarantee claim from LBHI are uncertain.

Lehman Brothers Holdings plc – in Administration ("LBH")

Eldon Street has an admitted claim against LBH of £31.3m. During the reporting period Eldon Street received a further distribution of 18.587 pence in the pound from LBH with cumulative receipts totalling £27.5m.

The extent to which LBH is able to pay further distributions to Eldon Street remains uncertain as it depends on the recoveries LBH is able to make from its subordinated debt claim against LB Holdings Intermediate 2 Ltd (in Administration) ("LBHI2"). The extent to which LBHI2 is able to pay distributions to LBH depends on the ultimate surplus in Lehman Brothers International (Europe)

in Administration ("LBIE") that is available for its subordinated debt, in which LBHI2 has an economic interest. It additionally depends on the outcome of the priority litigation being pursued by LBH in relation to its subordinated debt claim. These complexities within the Lehman structure make it difficult to estimate Eldon Street's eventual recovery from its claim against LBH.

Realisations from subsidiaries

It remains the Administrators' intention to reorganise the underlying assets of subsidiaries which include its three remaining solvent subsidiaries, Eldon Street (Birchin) Limited ("Birchin"), Eldon Street (Fidenza) Limited and Eldon Street (Jefferson) Limited ("Jefferson") 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 the solvent subsidiaries being placed into Members' Voluntary Liquidation ("MVL"). In this reporting period, the Administrators have continued to work closely with the directors of the remaining solvent subsidiaries and the liquidators of some of its other subsidiaries.

During the reporting period Birchin was placed into a MVL and it has distributed all of its £31k surplus to Eldon Street. In addition, one of Jefferson's own subsidiaries has completed a local law winding up process.

Eldon Street 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'.

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

Distributions to creditors

During the reporting period, the Administrators made a ninth interim distribution to unsecured creditors of 1.530 pence in the pound. As a result, £208.4m has now been distributed to the Company's unsecured creditors, equating to a cumulative dividend of 46.722 pence in the pound.

Corporation Tax

All corporation tax returns up to and including the 2015 year have been agreed by HM Revenue & Customs (“HMRC”). The corporation tax return for the 2016 period has been submitted to HMRC and showed a profit of £1.2m for the period which was sheltered by losses brought forward. The enquiry period for the 2016 corporation tax return closes on 30 April 2019. The tax computation for the 2017 period has been drafted and currently shows a loss position and will be submitted shortly.

The Finance (No. 2) Act 2017, which includes changes to corporation tax loss relief and interest deductibility, received Royal Assent on 16 November 2017. These new rules may affect the availability of losses for group relief purposes. The changes regarding interest expense restriction and carry forward loss restriction mean that there is a greater possibility of future tax liability. As a result there will need to be a greater focus on accounting and reserve positions, to ensure maximum offset of losses and potential group relief to other UK Lehman affiliates. Eldon Street had £7.8m of tax losses carried forward as at 8 December 2016.

The Administrators have met their obligations under the Senior Accounting Officer legislation and submitted the 2017 certificate and notification, and complied with their obligations regarding the publication of the Lehman group Tax Strategy. The Administrators have also adhered to the UK and US Foreign Account Tax Compliance Act and Common Reporting Standards and have considered their obligations under the new Corporate Criminal Offence rules which came into effect in September 2017.

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

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.

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>	GE Bruce, DA Howell, EJ Macnamara and R Downs of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	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 six successive extensions to the Administration period to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; 30 November 2018; and to 30 November 2020.

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 receipt of \$0.2m;
- Fourth distribution from LBH of £5.8m;
- Ninth interim distribution to unsecured creditors of £6.6m; 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 2018, 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 2018 to 30 November 2018, including the cumulative total time costs from the date of the Administrators' appointment to 30 November 2018; and

(ii) a summary of the Administrators' time costs for the period 1 June 2018 to 30 November 2018 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 2018, the Administrators have drawn remuneration of £3.7m plus VAT in respect of time costs incurred to 31 October 2018.

Time costs to 30 November 2018 total £203,863 plus VAT, which represents 448 hours at an average hourly rate of £455.

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 £19 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%20guide%20to%20administrators%20fees%20010407.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 2018

	GBP		EUR		USD		SEK	
	8 Dec 2018	Movements in the period	8 Dec 2018	Movements in the period	8 Dec 2018	Movements in the period	8 Dec 2018	Movements in the period
Receipts								
Corporation Tax refund (Note 1)	2,210,311	-	2,210,311	-	-	-	-	-
Contribution to the Pension Club Deal	11,800,000	-	11,800,000	-	-	-	-	-
Distributions from subsidiaries (Note 1, 2)	14,466,002	31,510	14,434,492	4,600,188	4,600,188	-	32,274,323	32,274,323
Intercompany debtors	30,359,067	5,828,766	24,530,301	-	-	226,749,109	173,638	226,575,471
Bank interest	760,528	19,257	741,271	3,093	3,093	5,305	562	4,743
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	-	-	22,619,960	-	22,619,960
Funds held on trust (Note 1)	8,878,581	610	8,877,971	4,933,337	4,933,337	-	-	31,454,100
Total receipts	73,201,954	5,880,143	67,321,811	9,536,618	9,536,618	249,374,374	174,200	249,200,174
Payments								
Bank charges	52	-	52	51	51	867	50	817
Consultancy fees	11,446	-	11,446	-	-	-	-	264
Employee costs	1,049,420	96,096	953,324	-	-	-	-	-
Legal fees	849,188	44,672	804,516	-	-	-	-	-
Serviced Office Provision	13,414	-	13,414	-	-	-	-	-
Funds held on trust	8,834,991	-	8,834,991	4,930,188	4,930,188	-	-	32,274,323
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 1, 3)	872,139	58,620	813,519	6,191	6,191	-	-	-
Professional fees	95,905	-	95,905	-	-	-	-	-
Registrars fees	400	-	400	-	-	-	-	-
IT costs	41,741	-	41,741	-	-	-	-	-
Statutory costs	95,534	10,391	85,143	-	-	-	-	-
Insurance	335,767	-	335,767	-	-	-	-	-
Joint Administrators' remuneration	3,743,351	188,675	3,554,676	-	-	-	-	-
Joint Administrators' category 1 disbursements	1,596	-	1,596	-	-	-	-	-
Joint Administrators' category 2 disbursements	26	-	26	-	-	-	-	-
Irrecoverable VAT (Note 4)	1,016,791	54,048	962,743	-	-	-	-	-
Total payments	28,970,907	452,502	28,518,405	4,936,430	4,936,430	867	50	817
Intracompany transfers								
Receipts	167,726,175	-	167,726,175	-	-	-	-	-
Payments	-	-	-	(4,600,188)	(4,600,188)	(245,033,661)	(245,033,661)	(32,274,323)
Total receipts less total payments	211,957,222	5,427,641	206,529,581	-	-	4,339,847	174,151	4,165,696
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	-	-	-	-	-
8th dividend to unsecured creditors of 5.710p in the £, declared on 20 Mar 2018	24,732,273	-	24,732,273	-	-	-	-	-
9th dividend to unsecured creditors of 1.530p in the £, declared on 14 Sep 2018	6,626,482	6,626,482	-	-	-	-	-	-
Total distributions	205,139,130	6,626,482	198,512,648	-	-	4,163,345	4,163,345	-
Total receipts less total payments less distributions	6,818,092	(1,198,841)	8,016,933	-	-	176,501	174,151	2,351
Cash balances								
HSBC (Note 5)	6,818,092	(1,198,841)	8,016,933	-	-	176,501	174,151	2,351
Total Cash (Note 6)	6,818,092	(1,198,841)	8,016,933	-	-	176,501	174,151	2,351

Notes

- (1) Prior period adjustments have been made to recategorise funds held and payments made in relation to the Company's subsidiaries in order to accurately reflect the cash held.
- (2) 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.
- (3) Payments on behalf of subsidiaries include audit fees and professional costs.
- (4) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- (5) The Company's GBP and USD accounts are interest bearing. The EUR and SEK accounts are not interest bearing.
- (6) Total cash at 8 December 2018 based on exchange rates at 7 December 2018 was £6,956,426.
- (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 anticipated length of the Administration.

	Brought forward from preceding period £'000	Paid in the period £'000	Cumulative £'000	Incurred and not paid £'000	Estimated future £'000	Anticipated total £'000
Legal fees and disbursements	804	45	849	29	622	1,500
Pension related legal costs	209	-	209	-	-	209
Employee wages and associated costs (see note below)	953	96	1,049	-	451	1,500
Administrators' remuneration and disbursements (see note below)	3,557	189	3,746	31	2,237	6,014
Insurance	336	-	336	-	78	414
Statutory costs	85	10	95	-	24	119
Other supplier costs e.g. bank charges	151	-	151	-	59	210
Irrecoverable VAT	963	54	1,017	12	588	1,617
Total	7,058	394	7,452	72	4,059	11,583

Note

The brought forward balances have been restated to take account of reclassifications and adjustments.

Section 7 Joint Administrators' time costs for the period 1 June 2018 to 30 November 2018

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	-	-	52.75	17,247	37.45	18,097	15.85	3,799	106.05	39,143
Strategy and planning	14.10	11,612	4.25	1,515	115.15	61,900	0.20	49	133.70	75,076
Creditors and distributions	-	-	20.15	6,176	40.75	19,506	0.90	221	61.80	25,903
Statutory and other compliance	4.75	3,877	45.60	14,768	63.10	31,251	10.50	2,536	123.95	52,432
Tax and VAT	1.50	1,718	3.55	1,409	8.60	6,295	8.50	1,887	22.15	11,309
Total for the period 1 June 2018 to 30 November 2018	20.35	17,207	126.30	41,115	265.05	137,049	35.95	8,492	447.65	203,863
Average hourly rate for the six month period to 30 November 2018										455
Cumulative total to 30 November 2018										3,774,693

Current charge out rates	Business Recovery Services	Specialist
	Max £/hr	Max £/hr
Grade	From 1 July 2017	From 1 July 2017
Partner	935	1,312
Director	820	1,152
Senior Manager	548	969
Manager	462	707
Senior Associate	386	525
Associate/Support Staff	245	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 to 30 November 2018, of which £ 3,743,350 has been drawn as fees.

Summary of the Joint Administrators' time costs for the period 1 June 2018 to 30 November 2018

Accounting and treasury - £39,143

An essential function for the management of funds held by the Administrators on behalf of the Company, the Administrators' cash management teams monitor and control the movement of funds and mitigate risk ensuring the movement of funds are verified and processed in accordance with instructions and in accordance with regulations.

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;
- Verifying creditor payment details and processing ninth dividend payments; and
- Dealing with funds held on behalf of subsidiaries and management of receipts and payments.

Strategy and planning - £75,076

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, including the extension application to Court, 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 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;
- Liaising with stakeholders to effect a solvent liquidation of one of the subsidiaries;
- Discussions with stakeholders including liquidators of the subsidiaries in regards to this strategy;
- Planning and delivering the strategy for the ninth interim distribution to creditors;
- Review of financial information including updating the estimated outcome statement; and
- Updating strategy documents and circulating for Administrators' approval.

Creditors and distributions - £25,903

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 ninth distribution;
- Calculating the ninth interim dividend to unsecured creditors;
- Updating the estimated outcome statement;
- Maintaining creditor schedules; and
- Responding to creditor queries.

Statutory and other compliance - £52,432

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

- Preparation of the Administrators' 19th progress report;
- Preparing and reviewing receipts and payments account for reports to creditors;
- Circulating the progress report to creditors;
- Statutory filings at Companies House and Court;
- Preparation of the Administrators' witness statement in support of the application to extend the Administration;
- Drafting and circulating correspondence to creditors informing them of both the application to extend, and the Court Order extending, the Administration;
- Filing of the Court Order at Companies House;
- 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 - £11,309

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

- VAT reconciliation and preparation of VAT returns to account for the Company's output tax;
- Dealing with corporation tax and VAT queries;
- Review of the tax provision prior to the payment of the ninth distribution;
- Preparation of the tax accounts for 2017;
- Commencing preparation of the tax return for 2017;
- Compliance with the Administrators' responsibilities under Senior Accounting Officer legislation including submission of 2017 certificate and notification, Tax Strategy, Corporate Criminal Offence legislation and FATCA; and
- Review the loss position for Eldon Street under new tax legislation.

Section 8 Estimated future costs and other matters

The Administrators continue to actively progress all matters pertaining to the estate. Eldon Street's principle remaining asset is its £31.3m claim against LBH, and complexities affecting Eldon Street's recoveries from LBH have been described earlier in this report. In addition, the Administrators have been liaising with the liquidators and directors of Eldon Street's subsidiaries and collecting distributions from these entities, and LBHI.

The Administrators estimate that their future time costs to complete the Administration will be £2.2m, broadly analysed as follows: -

	£'000
Accounting and treasury	260
Strategy and planning	684
Creditors and distributions	473
Statutory and other compliance	580
Tax and VAT	180
Disbursements	60
Total	<u>2,237</u>

The above figures assume that:

- The Administration will be extended for a further period;
- 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.

The nature of the work, and whether it is to the benefit of creditors and/or whether it needs to be undertaken for statutory or regulatory reasons will be as outlined in section 7 in regard to activity for the six months to 8 December 2018.

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 £96k 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
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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.