

# *Eldon Street Holdings Limited – In Administration*

Joint Administrators' progress  
report for the period 9 December  
2018 to 8 June 2019

3 July 2019

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**Reliance on data:**

***We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment.***

***Eldon Street Holdings Ltd, the Administrators, their firm, its members, partners, staff and advisers accept no liability to any party for any reliance placed upon this report.***

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

## ***Introduction***

This is the 21st 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 progress made in the six months to 8 June 2019 (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***

Creditors may be aware that on 24 June 2013, the High Court granted the Administrators permission to make distributions to the Company's unsecured creditors.

Total cash distributions of c.£208.4m have been paid to date, equating to a cumulative dividend of 46.722 pence in the pound. Further details can be found in Section 2.

The Administrators expect to make further interim cash distributions during the administration, although the quantum and timings remain contingent upon the outcome of the issues detailed in Section 2.

## ***Future reports***

The Administrators' will report on progress to creditors again 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](http://PwC.co.uk) website or by contacting the Joint Administrators.*

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## ***Section 2 Joint Administrators' actions to date***

### ***Overview***

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

Details of the Administrators' steps to realise Eldon Street's key assets are set out below.

#### ***Debtor realisations***

##### **Lehman Brothers Holdings Inc. ("LBHI")**

As reported previously, Eldon Street's direct (sold to a third party in December 2017) and guarantee claims against LBHI were admitted in the amounts of \$611.4m and \$28.6m respectively.

To date, cumulative dividends received from LBHI in respect of both claims total \$226.7m, being \$216.5m and \$10.2m for the direct and guarantee claims respectively. (In the previous report this was reported as \$400.2m in error).

Eldon Street's sole remaining claim against LBHI is its guarantee claim. Eldon Street received no further distributions from LBHI in respect of this claim in the Reporting Period.

Creditors may recall that the Administrators had been engaging in discussions with LBHI to explore a mutually acceptable resolution as to the timing and extent to which LBHI might be able to reclaim distributions it has paid to Eldon Street in relation to the guarantee it provided.

These discussions were ongoing when, on 30 April 2019, LBHI initiated adversary proceedings in the United States Bankruptcy Court Southern District of New York ("NY Bankruptcy Court") against Eldon Street and certain other UK Affiliate entities, without prior notice to the Administrators. LBHI is seeking to reclaim the monies it has paid to Eldon Street in respect of the guarantee claim of c.\$10.2m.

The NY Bankruptcy Court has scheduled an initial pre-trial conference to take place on 18 July 2019.

##### **Lehman Brothers Holdings plc ("LBH")**

Eldon Street has an admitted claim against LBH of £31.3m. During the Reporting Period, Eldon Street

received c.£4.7m from LBH of which £3.9m was a final distribution on its principal claim, to bring the total received to 100 pence in the pound. The remaining £0.8m was a payment of statutory interest on that claim.

Further recoveries from LBH in respect of Eldon Street's remaining statutory interest entitlement are contingent upon the following chain of recoveries:

- the extent to which LBH receives further distributions from LB Holdings Intermediate 2 Limited (in Administration) ("LBHI2");
- the extent to which LBHI2 is able to pay distributions to LBH is dictated by the outcome of the Subordinated Debt litigation, which is being heard in November 2019; and
- ultimately, LBHI2's future recoveries will depend on the final outcome in the Lehman Brothers International (Europe) (in Administration) ("LBIE") and LBHI2's share in the Wentworth joint venture.

Further details regarding the Subordinated Debt litigation and the Wentworth joint venture can be found at the following link:

<https://www.pwc.co.uk/services/business-recovery/administrations/non-lbie-companies/lbhi2-limited-in-administration.html>

These complexities within the Lehman structure make it difficult to estimate Eldon Street's eventual recovery of remaining statutory interest from LBH. As a consequence, the Administrators are unable to provide an indication of the timing and quantum, if any, of future distributions to creditors.

#### **Realisations from subsidiaries**

It remains the Administrators' intention to reorganise the underlying assets of 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 both of the two remaining solvent subsidiaries (Eldon Street (Fidenza) Limited and Eldon Street

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(Jefferson) Limited) being placed into Members' Voluntary Liquidation ("MVL").

Eldon Street (Birchin) Limited was placed into a MVL in the previous reporting period and barring any unforeseen circumstances, that process is now drawing to a close with notice of a final account prior to dissolution filed in April 2019. The Administrators are continuing to look at the options in respect of other subsidiaries.

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 seven subsidiaries which are now dissolved) total £20m.

### **Corporation Tax**

The corporation tax return for the 2017 period has been submitted to HM Revenue & Customs ("HMRC") and showed a profit of £0.1m for the period which was sheltered by current period and brought forward losses. The enquiry period for the 2017 corporation tax return closes on 31 January 2020. All corporation tax returns up to and including the 2016 year have been agreed by HMRC. The tax computation for the 2018 period is currently being drafted.

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

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 will affect the utilisation of Eldon Street's losses carried forward and the availability of losses in the wider group for group relief purposes. Eldon Street had £7.9m of pre 1 April 2017 tax losses carried forward and £0.38m of post 1 April 2017 tax losses carried forward as at 8 December 2018. The changes regarding interest expense restriction and carry forward loss restriction mean that there is a greater possibility of future tax liability.

The Administrators have 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.

### ***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.

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## Section 3 Statutory and other information

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<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

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## **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:

- Fifth distribution from LBH of £4.7m including a share of statutory interest entitlement;
- Employee costs of £0.1m; and
- Administrators' fees of £0.1m 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 June 2019, 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.

In accordance with SIP9, the following information has been provided in Section 7:

(i) an analysis of the Administrators' time costs for the period 1 December 2018 to 31 May 2019, including the cumulative total time costs from the date of the Administrators' appointment to 31 May 2019; and

(ii) a summary of the Administrators' time costs for the period, including the key categories of work, further information on the work undertaken, how the work benefits creditors and whether it was required by statute.

As at 8 June 2019, the Administrators have drawn remuneration of £3.9m plus VAT in respect of time costs incurred to 31 May 2019.

Time costs for the six months to 31 May 2019 total £149,599 plus VAT, which represents 291 hours at an average hourly rate of £514.

### **Disbursements**

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs, statutory advertising and insolvency office holders' insurance. The Administrators are not required to seek approval to draw Category 1 disbursements.

Category 2 disbursements are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying and communication facilities. 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.

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

No disbursements were incurred or paid in the six months to 31 May 2019.

### **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](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](mailto:Lehman.affiliates@uk.pwc.com).

# Section 5 Receipts and payments account for the period ended 8 June 2019

	GBP			EUR			USD			SEK		
	8 Jun 2019	Movements in the period	8 Dec 2018	8 Jun 2019	Movements in the period	8 Dec 2018	8 Jun 2019	Movements in the period	8 Dec 2018	8 Jun 2019	Movements in the period	8 Dec 2018
<b>Receipts</b>												
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	-	14,466,002	4,600,188	-	4,600,188	-	-	-	32,274,323	-	32,274,323
Intercompany debtors	35,027,322	4,668,255	30,359,067	-	-	-	226,749,109	-	226,749,109	-	-	-
Bank interest	774,471	13,943	760,528	-	-	-	-	-	-	-	-	-
Recovery of intercompany loan	280,000	-	280,000	3,093	-	3,093	7,180	-	5,305	820,487	-	820,487
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	-	8,878,581	4,933,337	-	4,933,337	-	-	-	31,454,100	-	31,454,100
<b>Total receipts</b>	<b>77,884,152</b>	<b>4,682,198</b>	<b>73,201,954</b>	<b>9,536,618</b>	<b>-</b>	<b>9,536,618</b>	<b>249,376,250</b>	<b>1,875</b>	<b>249,374,374</b>	<b>64,548,910</b>	<b>-</b>	<b>64,548,910</b>
<b>Payments</b>												
Bank charges	52	-	52	51	-	51	867	-	867	264	-	264
Consultancy fees	11,446	-	11,446	-	-	-	-	-	-	-	-	-
Employee costs	1,114,976	65,556	1,049,420	-	-	-	-	-	-	-	-	-
Legal fees	879,155	29,967	849,188	-	-	-	-	-	-	-	-	-
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	-	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	-	872,139	6,191	-	6,191	-	-	-	-	-	-
Professional fees	95,905	-	95,905	-	-	-	-	-	-	-	-	-
Registrars fees	400	-	400	-	-	-	-	-	-	-	-	-
IT costs	41,741	-	41,741	-	-	-	-	-	-	-	-	-
Statutory costs	95,534	-	95,534	-	-	-	-	-	-	-	-	-
Insurance	360,967	25,200	335,767	-	-	-	-	-	-	-	-	-
Joint Administrators' remuneration	3,877,418	-	3,877,418	-	-	-	-	-	-	-	-	-
Joint Administrators' category 1 disbursements	1,596	-	1,596	-	-	-	-	-	-	-	-	-
Joint Administrators' category 2 disbursements	26	-	26	-	-	-	-	-	-	-	-	-
Irrecoverable VAT (Note 4)	1,049,559	32,768	1,016,791	-	-	-	-	-	-	-	-	-
<b>Total payments</b>	<b>29,258,456</b>	<b>287,558</b>	<b>28,970,907</b>	<b>4,936,430</b>	<b>-</b>	<b>4,936,430</b>	<b>867</b>	<b>-</b>	<b>867</b>	<b>32,274,587</b>	<b>-</b>	<b>32,274,587</b>
<b>Intracompany transfers</b>												
Receipts	167,726,175	-	167,726,175	-	-	-	-	-	-	-	-	-
Payments	-	-	-	(4,600,188)	-	(4,600,188)	(245,033,661)	-	(245,033,661)	(32,274,323)	-	(32,274,323)
<b>Total receipts less total payments</b>	<b>216,351,862</b>	<b>4,394,640</b>	<b>211,957,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,341,722</b>	<b>1,875</b>	<b>4,339,847</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less: Distributions</b>												
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 Sep 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	-	-	-	-	-	-	-	-	-
<b>Total distributions</b>	<b>205,139,130</b>	<b>-</b>	<b>205,139,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,163,345</b>	<b>-</b>	<b>4,163,345</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total receipts less total payments less distributions</b>	<b>11,212,732</b>	<b>4,394,640</b>	<b>6,818,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,376</b>	<b>1,875</b>	<b>176,501</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash balances</b>												
HSBC (Note 5)	1,012,732	(5,805,360)	6,818,092	-	-	-	178,376	1,875	176,501	-	-	-
Money Markets	10,200,000	10,200,000	-	-	-	-	-	-	-	-	-	-
<b>Total Cash (Note 6)</b>	<b>11,212,732</b>	<b>4,394,640</b>	<b>6,818,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,376</b>	<b>1,875</b>	<b>176,501</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes

- 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.
- 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.
- Payments on behalf of subsidiaries include audit fees and professional costs.
- Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- The Company's GBP and USD accounts are interest bearing. The EUR and SEK accounts are no longer interest bearing.
- Total cash at 8 June 2019 based on exchange rates at 7 June 2019 was £11,352,558.
- 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.
- 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 Reporting Period and the total paid to date.

In estimating future expenses, assumptions have been made relevant to the annual run rate and anticipated length of the Administration.

	<b>Brought forward from preceding period £'000</b>	<b>Paid in the period £'000</b>	<b>Cumulative £'000</b>	<b>Incurred and not paid £'000</b>	<b>Estimated future £'000</b>	<b>Anticipated total £'000</b>
Legal fees and disbursements	849	30	879	9	1,000	1,888
Pension related legal costs	209	-	209	-	-	209
Employee wages and associated costs	1,049	66	1,115	-	385	1,500
Administrators' remuneration and disbursements	3,746	134	3,880	21	1,850	5,751
Insurance	336	25	361	-	75	436
Statutory costs	95	-	95	-	32	127
Other supplier costs e.g. bank charges	151	-	151	-	59	210
Irrecoverable VAT	1,017	33	1,050	6	588	1,644
<b>Total</b>	<b>7,452</b>	<b>288</b>	<b>7,740</b>	<b>36</b>	<b>3,989</b>	<b>11,765</b>

## Section 7 Joint Administrators' time costs

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	-	-	41.40	21,297	38.20	14,309	7.00	1,299	86.60	36,905
Strategy and planning	19.40	16,127	26.20	14,851	3.95	1,524	-	-	49.55	32,502
Statutory and other compliance	4.05	3,321	78.45	40,237	43.25	14,231	-	-	125.75	57,789
Tax and VAT	4.50	5,705	16.45	14,238	4.55	1,516	3.75	944	29.25	22,403
<b>Total for the period 1 December 2018 to 31 May 2019</b>	<b>27.95</b>	<b>25,153</b>	<b>162.50</b>	<b>90,623</b>	<b>89.95</b>	<b>31,580</b>	<b>10.75</b>	<b>2,243</b>	<b>291.15</b>	<b>149,599</b>
<b>Average hourly rate for the six month period to 31 May 2019</b>										<b>514</b>
<b>Cumulative total to 31 May 2019</b>										<b>3,924,290</b>

Current charge out rates	Business Recovery Services	Specialist
	Max £/hr	Max £/hr
<b>Grade</b>	<b>From 1 July 2017</b>	<b>From 1 July 2017</b>
Partner	935	1,312 - 1,445
Director	820	1,039 - 1,325
Senior Manager	465 - 590	638 - 1,230
Manager	365 - 510	583 - 735
Senior Associate	200 - 425	310 - 545
Associate/Support Staff	95 - 265	160 - 290

### Notes:

- (1) The cumulative total refers to the time costs incurred to 31 May 2019, of which £3,877,417 has been paid.
- (2) Time costs are net of VAT.

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## ***Summary of the Joint Administrators' time costs for the period 1 December 2018 to 31 May 2019***

### **Accounting and treasury - £36,905**

This is 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;
- Analysis of interest rates available with counterparties;
- Active management of money market deposit including mitigating risk on such deposit;
- Due consideration of best strategy for dealing with cash;
- Monthly reporting of outstanding deposits and month end bank balances;
- Daily monitoring of funds required for immediate cash needs to ensure that optimal level of funds is held on deposit; and
- Dealing with funds held on behalf of subsidiaries and management of receipts and payments.

### **Strategy and planning - £32,502**

The Administrators and their staff continue to invest time in the planning and delivery of their strategy to progress 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 continue to explore strategies leading to the conclusion of the Administration. The Administrators' anticipate that the Company will be dissolved after the conclusion of the Administration.

Activities include:

- Reviewing the strategy for the Administration in relation to various matters, including LBHI's adversary proceedings in the NY Bankruptcy Court against Eldon Street and regular team meetings to consider case progression;
- Updating strategy documents and circulating for Administrators' approval;
- Ongoing review of assets in subsidiary companies and determining strategies to best manage these in order to achieve closure thereof;
- Liaising 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; and
- Review of financial information including updating the estimated outcome statement.

### **Statutory and other compliance - £57,789**

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

- Preparing and circulating the Administrators' 20th progress report;
- Preparing receipts and payments account and detailed remuneration and future expenses summaries for the progress report to creditors;
- Dealing with statutory filings at Companies House and Court;
- Preparing the Administrators' internal six monthly case review in accordance with professional requirements;
- Managing and updating communications on Eldon Street's dedicated website, case files and records; and

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- Dealing with other ad-hoc compliance and statutory issues.

### **Tax and VAT - £22,403**

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;
- Preparation and submission of the corporation tax return for the year ended 8 December 2017;
- Initial work on preparation of the 2018 tax accounts;
- Analysis of tax impact on the Company's liquidation plans for its subsidiaries;
- Compliance with the Administrators' responsibilities under Senior Accounting Officer legislation, Tax Strategy, Corporate Criminal Offence legislation and FATCA; and
- Internal meetings to discuss future recoveries and tax position.

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## ***Section 8 Joint Administrators' estimate of future time costs***

The Administrators continue to actively seek the most efficient strategy for realising and distributing the remaining assets to the Company's creditors. Eldon Street's principle remaining asset is its remaining statutory interest entitlement on its paid £31.3m claim against LBH, and the complexities affecting Eldon Street's recovery from LBH have been outlined earlier in the report. Additionally, the Administrators have been liaising with the liquidators and directors of Eldon Street's subsidiaries. In the meantime, the Administrators continue to progress all other matters in relation to the estate.

The Administrators currently estimate that their future time costs and disbursements to complete the Administration will be c. £1.9m, broadly analysed as follows: -

<b>Classification of work</b>	<b>£'000</b>
Accounting and Treasury	<b>230</b>
Strategy and Planning	<b>560</b>
Creditors and Distributions	<b>430</b>
Statutory and other compliance	<b>450</b>
Tax and VAT	<b>150</b>
Disbursements	<b>30</b>
<b>Total</b>	<b>1,850</b>

The above figures assume that:

- The Administration will not be concluded prior to 30 November 2020, which is when the Administration is currently due to end;
- 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 type of 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 31 May 2019.

The Administrators will continue to realise the Company's assets, the quantum and timing of which are uncertain due to the debts being held in complex estates, to facilitate further distributions to creditors. This work is likely to extend beyond 30 November 2020, which is the date to which the Court has extended the Administration.

### ***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 for their prior and ongoing knowledge of the Company and its subsidiaries' affairs. Included in these services are the provision of certain tax and VAT services and key staff resource. The benefit to the Company's creditors is through costs savings. This is because the Administrators consider it more efficient that this work is carried out by subcontractors and by the centralisation of services. The costs of such services are recharged to Eldon Street on a time costs basis and are invoiced directly to the estate.

### ***Legal and other professional firms***

The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists.

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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.

<b>Service provided</b>	<b>Name of firm / organisation</b>	<b>Reason selected</b>	<b>Basis of fees</b>
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.