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# *Zestdew Limited – In Administration*

Joint Administrators' progress  
report for the period 29 October  
2014 to 28 April 2015

27 May 2015

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the 13th progress report by the Joint Administrators (the "**Administrators**") of Zestdew Limited ("**Zestdew**" or the "**Company**").

This report provides an update on the work the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 28 April 2015.

## Objectives of the Administration

The Administrators are pursuing the objective of achieving a better result for the creditors of the Company as a whole, than would be likely if the Company were wound up (without first being in Administration).

The specific aims of this Administration were to:

- Protect, manage and realise the Company's assets;
- Deal with any servicing and regulatory issues; and
- Agree creditors' claims and, if applicable, make a distribution to creditors.

## Outcome for creditors

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

To date, Zestdew has paid two interim dividends to unsecured non-preferential creditors totalling 16.15 pence in the £.

It is anticipated that a further, final distribution will be made to the unsecured non-preferential creditors. However, the timing of the final distribution will be dependent upon the closure strategy implemented.

## Future reports

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

Signed:



GE Bruce  
Joint Administrator  
Zestdew Limited

*AV Lomas, SA Pearson, GE Bruce and JG Parr have been appointed as Joint Administrators of Zestdew Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, GE Bruce and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

*The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.*

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

### **Overview**

The Company was incorporated to manage investments in portfolios of re-performing loans acquired from Lloyds TSB Bank plc (“**Lloyds**”) with funding provided by LB SF No. 1, Zestdew’s former parent company.

The vast majority of the loans in these portfolios were subsequently securitised via a special purpose vehicle and the Company retained a small portfolio of c.1,100 loans (the “**Loans**”). The Loans are serviced by Lloyds, with Zestdew holding the beneficial interest to the collections and Lloyds holding the legal title. Once Lloyds charges off a loan, then, according to the terms of the agreement, legal title passes to Zestdew and the servicing to a 3rd party servicer.

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

In the reporting period, the Company has made recoveries of £74k in respect of the Loans.

On 2 April 2015, a seventh distribution was received from the estates of LBSF and LBHI of \$0.04m and \$0.04m respectively.

In July 2014, Zestdew received a dividend of 100p in the £ from LBIE in respect of its £362k admitted claim. Subject to the outcome of the ‘Waterfall I’ proceedings, a further distribution may be made to Zestdew with regard to statutory interest.

The Administrators are considering the options available to them to realise value from these claims for the benefit of Zestdew’s creditors before bringing the Administration to an end.

### **Outstanding matters**

The Administrators remain in regular contact with the third party servicer to ensure that the portfolio continues to be serviced effectively whilst the Loans are held.

In the meantime, the Administrators are actively assessing all possible strategies for concluding the portfolio and have engaged with the Financial Conduct Authority to ensure compliance with Zestdew’s regulatory obligations in this regard.

### **Timing of the Joint Administrators' discharge**

Creditors will recall that JG Parr and GE Bruce were appointed Administrators of Zestdew by the Court in March 2013, replacing two previously appointed Administrators. As they were appointed by the Court, the Insolvency Rules 1986 require the timing of their discharge to be determined by the Court. However this conflicts with the method agreed by creditors in respect of the original appointees. Accordingly, the Administrators will shortly be applying to the Court to have the method and timing of their discharge made consistent with that of the originally appointed Administrators, which will then be in accordance with the method set out in the Administrators’ Proposals as agreed by creditors. The relevant section of the Proposals is restated below:

*“The Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch.B1 IA86 in respect of any action of theirs as Administrators at a time determined by the creditors committee or, if no creditors committee appointed, after 14 days from the date of ceasing to act as Administrators of Zestdew.”*

## Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9579 of 2008
<i>Full name:</i>	Zestdew Limited
<i>Trading name:</i>	Zestdew Limited
<i>Registered number:</i>	05965830
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	LJ Weir (resigned 25/11/08)
<i>Company secretary:</i>	ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	The director does not own any shares in the Company
<i>Date of the Administration appointment:</i>	29 October 2008
<i>Administrators' names and addresses:</i>	GE Bruce, SA Pearson, AV Lomas and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.
<i>Appointer's name and address:</i>	The original appointment of Administrators was made by the director of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators, may be done by any or one or more of the Joint Administrators.
<i>Details of any extensions of the initial period of appointment:</i>	A fifth extension has been granted by the High Court of Justice to 30 November 2015.
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them, however, it is likely that the Administrators will make a final distribution to the Company's unsecured non preferential creditors from the Administration (the Administrators having obtained permission from the Court to do so in June 2013).
<i>Estimated dividend for unsecured creditors:</i>	The Administrators declared a first interim dividend of 1.75p in the £ to unsecured non-preferential creditors on 23 September 2013. A second interim dividend of 14.4p in the £ was paid on 12 December 2014. It is anticipated that a final dividend will be paid to the unsecured non preferential creditors within the next six months.
<i>Estimated values of the prescribed part and Zestdew's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

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## ***Section 4 Financial Information***

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

In January 2009, the Administrators requested and received consent from Zestdew'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.

Attached at Section 6, is a summary of the Administrators' time costs for the period 1 October 2014 to 31 March 2015, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £104,280 plus VAT, which represents 281.54 hours at an average hourly rate of £370.

To date, remuneration of £850,773 plus VAT has been drawn in respect of time costs incurred to 31 March 2015.

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

An account of the receipts and payments in the Administration showing movements for the six months to 28 April 2015 is set out overleaf.

Total cash balances as at 29 April 2015 are equivalent to c£1.1m.

# Section 5 Receipts and Payments Account

	GBP		USD	
	As at 28-Apr-15	Movements in Period	As at 28-Oct-14	As at 28-Apr-15
<b>Receipts</b>				
Recoveries on loan portfolio	2,319,738	74,178	2,245,560	-
Cash at bank	1,006,923	-	1,006,923	-
Distribution from LBIE	362,128	-	362,128	-
Distributions from LBSF	-	-	-	1,134,302
Distributions from LBHI	-	-	-	430,981
Refund of CCA licence	1,282	-	1,282	-
Sale of tax losses	190,052	-	190,052	-
Interest received gross	2,484	-	2,484	-
<b>Total receipts</b>	<b>3,882,607</b>	<b>74,178</b>	<b>3,808,429</b>	<b>1,565,283</b>
<b>Payments</b>				
Joint Administrators' remuneration	850,773	104,280	746,493	-
Joint Administrators' category 1 disbursements	5,222	-	5,222	-
Legal fees	212,541	30,192	182,349	-
Pension related legal costs (see Note 1)	97,522	71,952	25,570	-
Debt collection fees	72,809	2,441	70,368	-
Employee costs	19,565	5,535	14,030	-
IT costs	5,741	-	5,741	-
Statutory advertising	19,803	9,156	10,647	-
Bank charges	135	-	135	-
Irrecoverable VAT (see Note 2)	209,080	29,807	179,273	150
<b>Total payments</b>	<b>1,493,191</b>	<b>253,363</b>	<b>1,239,828</b>	<b>150</b>
<b>Intracompany transfer</b>				
Payment	-	-	-	(1,483,430)
Receipt	925,690	-	925,690	-
<b>Total receipts less total payments</b>	<b>3,315,106</b>	<b>(179,185)</b>	<b>3,494,291</b>	<b>81,312</b>
<b>Distributions</b>				
1st dividend to unsecured creditors at 1.75p in the £, declared in September 2013	243,186	-	243,186	-
2nd dividend to unsecured creditors at 14.4p in the £, declared in December 2014	2,001,071	2,001,071	-	-
<b>Cash in hand / movement in period</b>	<b>1,070,849</b>	<b>(2,180,256)</b>	<b>3,251,105</b>	<b>81,312</b>
<b>Cash balances</b>				
HSBC (Non-interest bearing)	1,070,849	(2,180,256)	3,251,105	81,312
<b>Total Cash</b>	<b>1,070,849</b>	<b>(2,180,256)</b>	<b>3,251,105</b>	<b>81,312</b>

**Notes:**

- (1) £71,952 paid during the period for Zeetdew's share of the pension related legal fees met by to LBSF No.1 in Liquidation on behalf of other entities.  
 (2) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

# Section 6 Joint Administrators' time costs for the period 1 October 2014 to 31 March 2015

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	0.07	47	7.80	3,564	16.75	4,488	30.75	7,042	55.37	15,141
Strategy and planning	22.20	15,708	48.30	23,968	54.00	15,332	7.05	1,614	131.55	56,652
Statutory and compliance	-	-	14.05	6,214	33.80	9,908	26.45	6,057	74.30	22,179
Tax and VAT	5.50	5,582	1.40	840	8.40	2,612	1.35	252	16.65	9,286
LB/fees/charges	0.24	159	1.31	386	0.74	197	1.38	310	3.67	1,052
<b>Grand Total</b>	<b>38.01</b>	<b>214,996</b>	<b>72.86</b>	<b>349,722</b>	<b>113.69</b>	<b>325,377</b>	<b>66.98</b>	<b>152,775</b>	<b>281.54</b>	<b>1,042,280</b>
<b>Average Hourly Rate</b>		<b>7.67</b>		<b>4.80</b>		<b>2.86</b>		<b>2.28</b>		<b>3.70</b>
Current charge out rates	Business Recovery Services		Specialist							
Grade	From 1 July 2014	Max £/hr	From 1 January 2015	Max £/hr	From 1 January 2015					
Partner	873	873	873	1,167	1,225					
Director	665	7.65	7.65	1,076	1,076					
Senior manager	512	512	512	905	905					
Manager	431	431	431	660	660					
Senior Associate	360	360	360	490	490					
Associate/Support Staff	229	229	229	229	229					

The Administrator's remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

\* Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Penalties, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown are an indication of the maximum rate per hour. In common with all professional firms, the scale rates used by the Joint Administrators from PricewaterhouseCoopers LLP may periodically rise (for example to cover annual inflation cost increases) over the period of the Administration. Any material amendments to these rates will be set out in the creditor's in the next statutory report.

## ***Narrative of the Joint Administrators' time costs for the period 1 October 2014 to 31 March 2015***

### **Accounting and treasury - £15,141**

- Monitoring flow of funds into the bank accounts;
- Reconciliation of bank accounts; and
- Maintaining cash records.

### **Strategy and planning - £56,622**

- Due consideration of best strategy for dealing with the disposal of the loan portfolio;
- Reviewing financial information including updating the Estimated Outcome Statement;
- Discussions regarding strategy for the Administration;
- Evaluating exit routes and strategy for the closure;
- Discussions with servicer regarding various loans;
- Advertising and payment of second interim dividend;
- Communications with debtors and reviewing debtor position; and
- Liaison with the Financial Conduct Authority to ensure ongoing compliance with The Consumer Credit Act.

### **Statutory and other compliance - £22,179**

- Preparation of the Administrators' 12th progress report;
- Preparation of receipts and payments account for reports to creditors;
- Preparation of detailed remuneration summary;
- Circulating progress report to creditors;
- Statutory filings at Companies House and Court;
- Liaising with Administrators on statutory issues;
- Preparation of the Administrators' six monthly review summary;
- Dealing with statutory issues; and
- Maintaining case files and the Zestdew database.

### **Tax and VAT - £9,286**

- Discussions regarding distributions and closure strategy;
- Preparation of post-appointment tax computations;
- VAT reconciliation and preparation of VAT returns; and
- Review of documents and discussions regarding tax provision.

### **LBIE recharges - £1,052**

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