
Monaco NPL (No. 1) Limited – In Administration

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

26 November 2014

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 12th progress report by the Joint Administrators ("Administrators") of Monaco NPL (No.1) Limited ("Monaco" 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 in the six months to 28 October 2014.

Objectives of the Administration

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

The specific aims of this Administration were to:

- Protect, manage and realise the Company's assets; and
- Agree creditors' claims and, if applicable, make a distribution to creditors.

Outcome from creditors

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

On 12 September 2014, a second interim dividend of 8.1 pence in the £ was declared and paid to the Company's unsecured non-preferential creditors whose claims had been admitted for dividend purposes. Dividends paid to date total 15.9 pence in the pound.

The quantum and timing of any further dividend remains uncertain at this stage.

Pension liability

During the reporting period, the Administrators entered into an agreement to settle the Upper Tribunal proceedings against various Lehman companies. The purpose of the Upper Tribunal proceedings was to decide whether a Financial Support Direction ("FSD") should be made, and against which entities, in respect of the Lehman Brothers Pension Scheme (the "Scheme") such that additional contributions would be paid into the Scheme.

Following the settlement agreement with the Pension Scheme Trustees, and all other potential FSD targets, which became effective on 18 August 2014, Monaco no longer has a potential liability to the Scheme.

As part of the settlement, Monaco has contributed to certain legal costs of the Pension Scheme Trustees and the Pensions Regulator. Monaco has not contributed to the cost of funding pension liabilities under the settlement, which are being discharged by other Lehman companies.

Extension of the Administration

On the application of the Administrators, the High Court made an order to extend the period of the Administration for a further 12 months to 30 November 2015.

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
Monaco NPL (No.1) Limited

AV Lomas, SA Pearson, GE Bruce and JG Parr were appointed as Joint Administrators of Monaco NPL (No. 1) 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.

Section 2 Joint Administrators' actions to date

Overview

Monaco was incorporated to manage investments in portfolios of non-performing secured loans acquired with funding provided by Lehman Brothers Holdings Inc.

The majority of the loans were securitised into a special purpose vehicle and Monaco retained a small portfolio of loans with an unpaid principal balance of c.\$10 million. This portfolio comprised 19 outstanding loans secured against eight properties.

The Administrators implemented a 'hold' strategy with the loans to enhance realisations and worked closely with Immofoi GmbH ("Immofoi"), a third party agent, to ensure that the loans continued to be serviced. All loans have now been realised.

Administrators' actions to date

Following their appointment, the Administrators put in place a realisation strategy working with Immofoi.

Total recoveries on the loan portfolio after the deduction of collection costs are €4.42m. No further realisations are anticipated.

On 24 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012. Pursuant to this agreement, Monaco had its guarantee claim against Lehman Brothers Special Financing Inc ("LBSF") agreed at \$2.95m.

A sixth distribution of \$53k was received from LBSF on 2 October 2014. To date, Monaco has received dividends totalling \$0.95m from LBSF. These funds were immediately exchanged to GBP to minimise the foreign exchange risk.

Further dividends from LBSF are expected to be received on a six monthly basis.

Monaco submitted a claim in the estate of LB UK RE Holdings Limited ("LB UK RE") for c£36m. Of this claim c£21m has been admitted to rank for a dividend. The remaining balance of c£15m has not yet been adjudicated. A fourth distribution of 8.5p in the £ was declared by LB UK RE on 27 August

2014 and Monaco received £0.8m in respect of the admitted element of its claim.

As previously reported, Monaco sold £12m of its admitted claim against LB UK RE to a third party for £4.19m. Monaco also retained the dividend that was received on this portion of the agreed claim. Accordingly, Monaco has received the equivalent of 71p in the £ in relation to this element of its claim.

To date, Monaco has received dividends from LB UK RE totalling £12.78m. The timing and quantum of any further dividends from LB UK RE is not yet known.

Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 9580 of 2008
<i>Full name:</i>	Monaco NPL (No.1) Limited
<i>Trading name:</i>	Monaco NPL (No.1) Limited
<i>Registered number:</i>	05432398
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	MD Gollin, D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09), AJ Rush (resigned 17/07/09), S Staid (resigned 05/01/09)
<i>Company secretary:</i>	P Dave (resigned 25/01/10), ESE Upton (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	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 directors 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. The most likely exit route from the Administration is to continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so in June 2013) and then to apply for the dissolution of the Company.
<i>Estimated dividend for unsecured creditors:</i>	The Administrators declared a first interim dividend of 7.75p in the £ to unsecured non-preferential creditors on 22 October 2013. A second interim dividend of 8.1p in the £ was declared and paid on 12 September 2014. The quantum and timing of any further dividends remains uncertain at present.
<i>Estimated values of the prescribed part and Monaco'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.

Section 4 Financial Information

Administrators' remuneration

In January 2009, the Administrators requested and received consent from Monaco'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 April 2014 to 30 September 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £66,908 plus VAT, which represents 183.95 hours at an average hourly rate of £364. Details of the time costs incurred in earlier periods have been provided in earlier reports.

To date, remuneration of £530,903 plus VAT has been drawn in respect of time costs incurred to 30 September 2014.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 28 October 2014 is set out overleaf.

Cash at bank as at 28 October 2014 is equivalent to £8.4m.

Section 5 Receipts and Payments Account

	GBP (£)		EUR (€)		USD (\$)	
	As at 28-Oct-14	Movements in Period	As at 28-Oct-14	Movements in Period	As at 28-Oct-14	Movements in Period
Receipts						
Recoveries on loan portfolio	-	-	-	-	-	-
Distributions from LBSF	12,775,422	-	4,425,324	-	4,425,324	-
LB UK RE intercompany debt	1,457,228	795,403	-	-	-	52,671
Receipt from sale of tax losses	300,000	-	-	-	-	-
Tax Repayment	134,000	2,000	-	-	-	-
Bank account usage charge	116,599	16,538	-	-	-	-
Interest on tax repayment	-	-	288,047	-	288,047	-
Cash at bank on appointment	-	-	-	-	-	-
Gross wages & salaries	145	-	-	-	-	-
Balance at bank	14,783,394	813,941	13,969,453	4,725,766	952,894	52,671
Total Receipts						
	14,783,394	813,941	13,969,453	4,725,766	952,894	52,671
Payments						
Legal fees	65,724	-	65,724	-	-	-
Gross wages & salaries	25,608	4,590	21,018	-	-	-
Pension related legal costs	25,570	25,570	-	-	-	-
IT Costs	5,741	-	5,741	-	-	-
Joint Administrators' fees	530,903	84,467	446,436	22,805	-	-
Joint Administrators' category 1 disbursements	2,238	-	2,238	-	-	-
Bank charges	40	-	40	31	202	75
Statutory advertising	20,313	9,658	10,655	-	-	-
Irrecoverable VAT (see Note 1)	109,067	15,109	93,958	3,421	3,421	-
Total Payments						
	785,204	139,394	645,810	26,257	202	75
Intracompany transfer						
Payment	-	-	-	-	-	-
Receipt	3,163,419	-	3,163,419	(3,113,597)	(899,013)	-
Total receipts less total payments						
	17,161,609	674,547	16,487,062	1,585,912	53,679	52,596
Distributions to unsecured creditors						
1st distribution of 7.75p in the £, declared in October 2013	4,922,340	-	4,922,340	-	-	-
2nd distribution of 8.1p in £, declared in September 2014	5,144,640	5,144,640	-	-	-	-
Cash in hand / (movement in year)						
	7,094,629	(4,470,093)	11,564,722	1,585,912	53,679	52,596
Cash balances						
HSEC (Non-interest bearing)	78,260	(361,879)	440,139	1,585,912	53,679	52,596
Money Market	7,016,369	(4,108,214)	11,124,583	-	-	-
Total Cash						
	7,094,629	(4,470,093)	11,564,722	1,585,912	53,679	52,596

Notes:

- (1) Total Cash as at 28 October 2014 based on exchange rates on 28 October 2014 was £8.4m
- (2) Funds are invested on the money markets in order to accrue interest and to manage risk.
- (3) 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 April 2014 to 30 September 2014

Classification of work	Partner/Director	Senior Manager/Manager	Senior Associate	Associate/Support Staff	Total hours
	Hours	Hours	Hours	Hours	Hours
	£	£	£	£	£
Accounting and treasury	0.05	9.95	21.25	18.00	49.25
Administration and planning	2.75	6.55	22.35	9.70	41.35
Creditors	-	-	1.85	3.45	5.30
Statutory and other compliance	0.60	5.80	10.90	26.60	43.90
Tax and VAT	7.40	6.00	9.75	4.55	27.70
Pensions	4.08	5.33	4.24	1.66	15.31
LBE Recharges	0.06	0.14	0.09	0.85	1.14
Grand Total	14.94	33.77	70.43	64.81	183.95
Average Hourly Rate	855	459	341	225	364

Current charge out rates	Business Recovery Services	Specialist
Grade	Max £/hr	Max £/hr
Partner	To 30 June	To 30 June
Director	From 1 July	From 1 July
Senior manager	873	1,167
Manager	665	1,076
Senior Associate	512	905
Associate/Support Staff	431	660
	360	490
	229	229

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

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

Narrative of the Joint Administrators' time costs for the period 1 April 2014 to 30 September 2014

Accounting and treasury - £14,537

- Monitoring flow of funds into bank accounts;
- Arranging receipts and payments of funds and coding of movements;
- Reconciliation of bank accounts.
- Managing funds in various institutions in order to mitigate risk; and
- Dealing funds on the money markets and inputting deals.

Administration and planning - £14,890

- Reviewing financial information including updating the Estimated Outcome Statement;
- Updating strategy documents;
- Team discussions on strategy for the Administration, case progression and resource management; and
- Evaluating exit routes and strategy for extension of the Administration.

Creditors - £1,456

- Maintaining the creditor files.

Statutory and compliance - £13,079

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

Tax and VAT - £15,318

- Dealing with Corporation Tax and VAT queries;
- Tax compliance;
- Meetings and discussions with the tax team;
- Preparing post appointment tax computations; and
- VAT reconciliation and submission of VAT returns.

Pensions - £7,334

- Following confirmation that Monaco was no longer one of the potential targets of a FSD, obtaining confirmation from the other Lehman estates that a contributory claim would not be made.

LBIE recharges - £294

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