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***Monaco NPL (No. 1)  
Limited –  
In Administration***

Joint Administrators' progress  
report for the period 29 October  
2010 to 28 April 2011

18 May 2011

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

## **Introduction**

This is the fifth progress report by the Joint 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 our appointment, with particular focus on the progress in the six months to 28 April 2011

## **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 are to.

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

## **Outcome for creditors**

In the period, the Administrators have realised £300,000 in respect of a pre-appointment tax refund, £38,757 of interest on the tax refund and £5,937 in respect of the surrender of tax losses to group companies

At this time the Administrators are unable to provide a reliable estimate of the likely dividend prospects to ordinary unsecured creditors as there are uncertainties regarding future realisations

Furthermore, as previously advised, the Pensions Regulator listed Monaco as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that a Financial Support Direction should not be issued against Monaco. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that Monaco will not have liability under an FSD. Accordingly, the

Administrators have written to the trustees of the pension scheme in order to obtain clarification on whether a liability under an FSD will fall to Monaco

Given this ongoing process, the timing of any initial dividend to creditors remains uncertain

## **Extension of the administration**

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue and ongoing asset realisations, the Administrators are expecting to apply to Court for a further extension to the Administration in due course

## **Future reports**

The Administrators will next report to creditors in approximately six months

Signed



DA Howell  
Joint Administrator  
Monaco NPL (No.1) Limited

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## ***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 unpaid principal balance of c \$10 million. This portfolio comprised 19 outstanding loans secured against eight properties.

The Administrators are currently implementing a 'hold' strategy with the loans to enhance realisations and are working closely with Immoform GmbH ("Immoform"), a third party agent, to ensure that the loans continue to be serviced.

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

Following their appointment, the Administrators put in place a realisation strategy working with Immoform. To date, €288k has been recovered from pre-appointment collection accounts and €502k has been recovered from the loan portfolio.

### ***Outstanding matters***

The Administrators regularly review and monitor the work of Immoform and have agreed a reporting framework going forward. The purpose of this is to ensure that the portfolios are properly monitored to allow value to be realised as soon as it is possible to do so.

Based on current information, it is anticipated that Monaco will receive a further £1.4m in respect of the sale of tax losses to group companies.

## 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>	DA Howell, DY Schwarzmenn, SA Pearson, MJA Jervis and AV Lomas 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 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>	The current joint administrators of Monaco are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmenn of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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 persons for the time being holding that office
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an extension of the Administration to 30 November 2011
<i>Proposed end of the Administration:</i>	The Administrators wish to retain various exit options available to them however the most likely exit route from the Administration is to seek permission to distribute from the administration and proceed to dissolve the Company
<i>Estimated dividend for unsecured creditors</i>	Based on current information, it is anticipated that there should be a dividend to unsecured creditors, but it is too early to estimate the quantum and timing of such a dividend
<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

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

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

At the initial meeting of creditors which was held by correspondence on 5 January 2009, creditors resolved that the Administrators' remuneration 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 2010 to 28 February 2011, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

This shows that the total time costs for the period 1 October 2010 to 28 February 2011 are £18,452, which represents 48 3 hours at an average hourly rate of £382 30.

Remuneration of £191,569 plus VAT and €22,805 has been drawn in respect of time costs to 30 September 2010.

Time cost analyses covering the period 29 October 2008 to 30 September 2010 have been provided previously

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

Set out overleaf is a receipts and payments account for Monaco to 28 April 2011

## Section 5 Receipts and Payments Account

	As at 28 April 2011		As at 28 October 2010		Movements	
	GBP (£)	EUR (€)	GBP (£)	EUR (€)	GBP (£)	EUR (€)
<b>Receipts</b>						
Recoveries on loan portfolio	-	502,138	-	502,138	-	-
Receipt from sale of tax losses	5,937	-	-	-	5,937	-
Tax Repayment	300,000	-	-	-	300,000	-
Interest on tax repayment	38,757	-	-	-	38,757	-
Cash at bank	-	288,047	-	288,047	-	-
<b>Receipts Grand Totals</b>	<b>344,694</b>	<b>790,185</b>	<b>-</b>	<b>790,185</b>	<b>344,694</b>	<b>-</b>
<b>Payments</b>						
Gross wages & salaries	479	-	-	-	479	-
Office holder's fees	191,569	22,805	172,829	22,805	18,740	-
Office holder's category 1 disbursements	1,612	-	1,612	-	-	-
Bank charges	40	31	40	31	-	-
Statutory advertising	1,321	-	1,321	-	-	-
VAT Paid	30,378	3,421	27,100	3,421	3,278	-
<b>Payments Grand Totals</b>	<b>225,399</b>	<b>26,257</b>	<b>202,902</b>	<b>26,257</b>	<b>22,497</b>	<b>-</b>
Intracompany transfer (EUR to GBP)						
Payment	-	755,000	-	755,000	-	-
Receipt	632,331	-	632,331	-	-	-
<b>NET POSITION</b>	<b>751,626</b>	<b>8,928</b>	<b>429,429</b>	<b>8,928</b>	<b>322,197</b>	<b>-</b>
<b>CASH BALANCES</b>						
HSBC - Non-interest bearing	751,626	8,928	429,429	8,928	322,197	-
<b>Total Cash</b>	<b>751,626</b>	<b>8,928</b>	<b>429,429</b>	<b>8,928</b>	<b>322,197</b>	<b>-</b>

**Note:** There remains a nominal balance of €8,928 to be converted into sterling. The total cash in hand at the exchange rate on 28 April 2011 is £759,560

# **Section 6 Joint Administrators' time costs for the period 1 October 2010 to 28 February 2011**

Classification of work	Partner / Director	Senior Manager / Manager	Senior Associate	Associate / Support staff	Total	Average Hourly Rate
	Hrs	Hrs	Hrs	Hrs	Hrs	£
Asset Realisations	-	1.0	-	-	1.0	448.00
Strategy and Planning	4.2	1.8	5.2	-	11.2	5,870
Accounting and Treasury	-	5.5	4.2	-	9.7	3,504
Tax and VAT	-	-	0.3	-	0.3	76
Statutory and Reporting	-	0.8	21.8	-	22.6	7,520
LBL Recharges	0.1	1.5	0.9	1.0	3.5	1,034
<b>Grand Total</b>	<b>4.3</b>	<b>10.6</b>	<b>32.4</b>	<b>1.0</b>	<b>48.3</b>	<b>18,452</b>

## **The Joint Administrators' policy for charging for disbursements is**

Photocopying is charged at 3p per sheet for creditors and bulk copying  
Mileage is charged at a maximum of 62p per mile (up to 2000cc) or 81p per mile (over 2000cc)  
All other disbursements are charged at cost

Costs to date (£)
-
-
-
-

Current charge out rates	Business Recovery Services	Specialist*
Grade	Max £/hr	Max £/hr
Partner	800	980
Director	610	890
Senior manager	470	830
Manager	395	605
Senior Associate	330	330
Associate / Support Staff	210	195

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 remuneration is to be paid as and when funds become available at the charge-out rates shown for the various grades of staff who may be involved in the administration

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 give 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 inflationary cost increases) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report



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## ***Narrative of the Joint Administrators' time costs for the period 1 October 2010 to 28 February 2011***

### **Asset Realisations - £448**

- Reviewing loan portfolio.

### **Strategy and planning - £5,870**

- Reviewing financial information,
- Updating strategy documents,
- Discussions with advisors regarding pension claims, and
- Distribution planning

### **Accounting and treasury - £3,504**

- Monitoring flow of funds into bank accounts,
- Undertaking receipts and payments, and
- Reconciliation of bank accounts

### **Tax and VAT - £76**

- Advising on VAT and tax queries and treatment

### **Statutory and reporting - £7,520**

- Preparation of the Administrators' fourth progress report and statutory filing,
- Adjudicating on creditor claims,
- Dealing with statutory issues, and
- Maintaining case files and database.

### **LBL recharges - £1,034**

- This is an apportionment of the costs incurred by Lehman Brothers Limited associated with the administration companies