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# *Zestdew Limited – In Administration*

Joint Administrators' final progress  
report

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16 September 2015

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

## ***Introduction***

The Joint Administrators (“the **Administrators**”) are pleased to provide their final progress report on the Administration of Zestdew Limited (“**Zestdew**” or the “**Company**”) pursuant to Rules 2.47 and 2.110 of the Insolvency Rules 1986 (“**IR86**”).

The Administrators are required to provide a summary of their proposals, which is shown in Section 3 of this report. The Administrators are also required to provide certain statutory information pursuant to Rule 2.47(1)(a) to (d) IR86, which is shown in Section 4 of this report.

Details of the steps taken by the Administrators and the outcome of the Administration are set out below.

## ***Objectives of the Administration***

The Administrators have pursued 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.

The Administrators have determined that the objective of the Administration has been achieved and are now taking steps to bring the Administration to a conclusion.

## ***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.

During the Administration, the Administrators declared and paid three dividends to unsecured

non-preferential creditors, totalling 21.09 pence in the £.

Further detail relating to the distributions is provided in Section 2 of this report.

## ***Changes in Administrator during course of Administration***

Creditors may recall that upon an application to the High Court of Justice, an order was made on 30 November 2009 that SA Pearson and MJA Jervis be appointed as Joint Administrators and that GH Martin cease to be Joint Administrator of the Company.

A further order was made on 22 March 2013 that GE Bruce and JG Parr be appointed Joint Administrators and that DY Schwarzmann, MJA Jervis and DA Howell cease to be Joint Administrators of the Company.

## ***Exit route from Administration***

In accordance with Paragraph 84, Schedule B1 of the Insolvency Act 1986 (“IA86”) and as envisaged by the Administrators' proposals, which were approved by creditors on 5 January 2009, a notice will be filed at the Registrar of Companies to move Zestdew from Administration to dissolution. The Company will be dissolved three months after registration of the notice.

## ***Discharge***

As referred to earlier in this report, JG Parr and GE Bruce were appointed Administrators of Zestdew by the Court in March 2013, replacing two previously appointed Administrators.

In June 2015, the Court approved the Administrators' application to have the timing and method of their discharge made consistent with that of the originally appointed Administrators.

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Accordingly, Zestdew's Joint Administrators will all be discharged from liability pursuant to Paragraph 98(1) Sch.B1 IA86 in respect of any action of theirs as Administrators after 14 days from the date of ceasing to act as Administrators of Zestdew, as set out in the Administrators' Proposals and approved by creditors on 5 January 2009.

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***

### ***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 third party servicer.

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

The Administrators’ actions during the period of the Administration to 28 April 2015 have been detailed in previous progress reports. These actions are set out in summary below by their asset classes.

#### **Recoveries on loan portfolio**

Recoveries in respect of the loan portfolio since the commencement of the Administration total £2,382,489. During the period covered by this report £62,751 has been received in respect of the Loans, which includes the proceeds from a sale of some of the Loans.

The Administrators have now concluded that the remaining loans are uneconomical to collect and that, in order to preserve value for the creditors, the Administration should be brought to an end.

To ensure compliance with their regulatory obligations in relation to the remaining loans, the Administrators engaged first with the Financial Conduct Authority and latterly the Court to seek approval for their proposed strategy to deal with the loans.

On 3 September 2015, the Court granted an Order permitting the Administrators to –

- (i) extinguish Zestdew’s entitlement in relation to loans where it held either

beneficial, or legal and beneficial interest; and

- (ii) to assign Zestdew’s legal entitlement in respect of certain other loans to the loans’ beneficial owner by way of deed poll.

#### **Distributions received**

Zestdew received a dividend of 100p in the £ from Lehman Brothers International (Europe) (“**LBIE**”) in respect of its £362k admitted claim.

In the course of the Administration, Zestdew has also received seven distributions from the estates of Lehman Brothers Special Financing Inc. (“**LBSF**”) and Lehman Brothers Holdings Inc. (“**LBHI**”), totalling \$1.1m and \$0.4m, respectively.

As set out in further detail below, these claims have been assigned to LBHI by way of a distribution in specie and no further dividends will be paid to Zestdew.

#### **Sale of tax losses**

During the course of the Administration, Zestdew received £190k in respect of the sale of its tax losses.

#### ***Final distribution to creditors***

##### **In specie**

On 25 August 2015, the Administrators sought approval from Zestdew’s creditors to distribute its unsold assets, including but not limited to the receivables due to the Company from LBIE, LBHI and LBSF to its majority creditor, LBHI; and to make certain cash distributions to Zestdew’s minority creditors in lieu of any future distributions that Zestdew might otherwise receive in relation to the receivables.

The majority of Zestdew’s creditors approved the resolutions, which were also subsequently approved by the Court on 3 September 2015.

Accordingly, on 16 September 2015, Zestdew made a distribution in specie to LBHI, comprising an assignment of the receivables due from LBIE, LBSF and LBHI.

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## **Cash distribution**

Zestdew's minority creditors received a cash distribution of £2,989 in lieu of their share of any future distributions made in relation to the receivables.

A further £686,494 was shared between all creditors.

In the course of the Administration, three distributions totalling £2,930,751 have been made to Zestdew's unsecured, non-preferential creditors equating to a distribution of 21.09p in the £. This excludes the distributions in specie and corresponding payment to minority creditors discussed above.

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## *Section 3 Summary of the Joint Administrators' proposals*

The Administrators made the following proposals for achieving the purpose of administration which were approved by the creditors on 19 December 2008. There have been no major amendments or deviations from the proposals.

1. The Administrators will continue to manage and finance Zestdew's business, affairs and property from asset realisations in such manner as they consider expedient with a view to achieving a better result for Zestdew's creditors as a whole than would be likely if Zestdew had been immediately liquidated.
2. The Administrators may investigate and if appropriate, pursue any claims that Zestdew may have under the Companies Act 1985, the Companies Act 2006 or the Insolvency Act 1986 ("IA86") or otherwise. In addition, the Administrators shall do all such other things and generally exercise all their powers as Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of Zestdew or to maximise their realisations or for any other purpose incidental to these proposals.
3. The Administrators will at their discretion establish in principle the claims of unsecured creditors for adjudication by a subsequent liquidator or supervisor of a company voluntary arrangement and the costs of so doing be met as a cost of the Administration as part of the Administrators' remuneration.
4. The Administrators may at their discretion make an application to court for permission to make distributions to unsecured creditors under Paragraph 65(3) Schedule B1 IA86.
5. A creditors' committee will be established if sufficient creditors are willing to act on it. The Administrators propose to seek the election of a creditors' committee and to consult with it from time to time. Where the Administrators consider it appropriate, they will seek sanction from the committee to a proposed action rather than convening a meeting of all creditors.
6. The Administrators will consult with the creditors' committee concerning the necessary steps to extend the Administration beyond the statutory duration of one year if an extension is considered advantageous. The Administrators shall either apply to the court or seek consent from the appropriate classes of creditors for an extension.
7. The Administrators may use any one or a combination of "exit route" strategies in order to bring the Administration to an end. The Administrators wish to retain a number of the options which are available to them, including:
  - (i) The Administrators may place Zestdew into creditors' voluntary liquidation. In these circumstances, it is proposed that Anthony Victor Lomas, Graham Hunter Martin and Derek Anthony Howell, be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either any or all of them. In accordance with Paragraph 83(7) Schedule B1 IA86 and Rule 2.117(3) of the Insolvency Rules 1986, creditors may nominate alternative liquidators, provided that the nomination is made after the receipt of these proposals and before they are approved, **OR**
  - (ii) The Administrators may formulate a proposal for a company voluntary arrangement ("CVA") and put it to meetings of Zestdew's creditors and shareholders for approval. If the CVA is approved, the Administration will be brought to an end by notice to the Registrar of Companies on completion of the Administration under Paragraph 84 Schedule B1 IA86, following registration of which Zestdew will be dissolved three months later, **OR**
  - (iii) Once all of the assets have been realised and the Administrators have concluded all work within the Administration, the Administrators will file a notice under Paragraph 84(1) Schedule B1 IA86 with the Registrar of Companies, following registration of which the Company will be

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dissolved three months later or apply to court under Paragraph 79 Sch.B1 for the Administration to be ended, **OR**

(iv) The Administrators may apply to the Court to allow the Administrators to distribute surplus funds to unsecured non-preferential creditors. If such permission is given, the Administration will be brought to an end by notice to the Registrar of Companies under Paragraph 84 Schedule B1 IA86, following registration of which Zestdew will be dissolved three months later. If permission is not granted the Administrators will place Zestdew into creditors' voluntary liquidation or otherwise act in accordance with any Order of the Court.

8. 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.
9. The Administrators' fees will be fixed under Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and the various grades of their staff according to their firm's usual charge-out rates for work of this nature and that disbursements for services provided by the Administrators' own firm (defined as Category 2 disbursements in Statement of Insolvency Practice No.9) be charged in accordance with the Administrators' firm's policy, as set out in Appendix B. It will be for the creditors' committee to fix the basis and level of the Administrators' fees and Category 2 disbursements but if no committee is appointed, it will be for the general body of creditors to determine these instead.

## Section 4 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>	Dissolution.
<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 declared and paid on 12 December 2014. A third and final dividend of 4.94 was declared and paid on 16 September 2015 together with a distribution in specie to Zestdew's majority creditor of the Company's receivables together with a cash sum in lieu to the two other creditors.
<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 5 Financial Information***

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

An account of the receipts and payments in the Administration showing movements for the period to 16 September 2015 is set out overleaf.

Key movements during the period include:

- Joint Administrators' remuneration as outlined in the section below;
- Legal fees of £112,562;
- Employee costs of £71,084; and
- Irrecoverable VAT of £70,466.

In addition to the above cash movements, distributions in specie have been made as outlined in Section 2 of the report.

### ***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 April 2015 to 14 September 2015, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £209,063 plus VAT, which represents 443.97 hours at an average hourly rate of £471.

During the course of the Administration, remuneration of £1,079,836 plus VAT has been drawn in respect of time costs incurred to 14 September 2015.

# Section 6 Final Receipts and Payments Account

	As at 16 September 2015		Movements		As at 28 April 2015	
	GBP (£)	USD (\$)	GBP (£)	USD (\$)	GBP (£)	USD (\$)
<b>Receipts</b>						
Recoveries on loan portfolio	2,382,489	-	62,751	-	2,319,738	-
Cash at bank	1,006,923	-	-	-	1,006,923	-
Distribution from LBIE	362,128	-	-	-	362,128	-
Distribution from LBSF	-	1,134,302	-	-	-	1,134,302
Distribution from LBHI	-	430,981	-	-	-	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</b>	<b>3,945,358</b>	<b>1,565,283</b>	<b>62,751</b>	<b>-</b>	<b>3,882,607</b>	<b>1,565,283</b>
<b>Payments</b>						
Joint Administrators' remuneration	1,079,836	-	229,063	-	850,773	-
Joint Administrators' category 1 disbursements	5,222	-	-	-	5,222	-
Legal fees	325,103	-	112,562	-	212,541	-
Pension related legal costs	97,522	-	-	-	97,522	-
Debt collection fees	74,141	-	1,332	-	72,809	-
Employee costs	90,649	-	71,084	-	19,565	-
IT costs	5,741	-	-	-	5,741	-
Storage costs	1,999	-	1,999	-	-	-
Statutory advertising	29,338	-	9,535	-	19,803	-
Bank charges	135	541	-	-	135	541
Irrecoverable VAT (Note1)	279,546	-	70,466	-	209,080	-
<b>Total</b>	<b>1,989,232</b>	<b>541</b>	<b>496,041</b>	<b>-</b>	<b>1,493,191</b>	<b>541</b>
<b>Intracompany transfer</b>						
Payment	-	(1,564,742)	-	(81,312)	-	(1,483,430)
Receipt	977,614	-	51,924	-	925,690	-
<b>Total receipts less total payments</b>	<b>2,933,740</b>	<b>-</b>	<b>(381,366)</b>	<b>(81,312)</b>	<b>3,315,106</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	-
Cash distribution made to Zestdew's minority creditors in September 2015 (Note 2)	2,989	-	2,989	-	-	-
3rd and final dividend to unsecured creditors at 4.94p in the £, declared in September 2015	686,494	-	686,494	-	-	-
<b>Cash in hand / (movement in year)</b>	<b>-</b>	<b>-</b>	<b>(1,070,849)</b>	<b>(81,312)</b>	<b>1,070,849</b>	<b>81,312</b>
<b>Cash balances</b>						
HSBC (Non-interest bearing)	-	-	(1,070,849)	(81,312)	1,070,849	81,312
<b>Total Cash</b>	<b>-</b>	<b>-</b>	<b>(1,070,849)</b>	<b>(81,312)</b>	<b>1,070,849</b>	<b>81,312</b>

## Notes:

(1) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.

(2) A cash distributions totalling £2,989 has been made during the period to Zestdew's minority creditors in lieu of their share of any future distributions made in relation to the receivables due from LBIE, LBSF and LBHI.

## *Section 7 Joint Administrators' time costs for the period 1 April 2015 to 14 September 2015*

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and treasury	-	-	8.70	3,851	18.70	5,273	26.10	6,113	53.50	15,237
Strategy and Planning	97.25	76,039	113.20	55,316	74.05	21,557	5.45	1,251	289.95	154,163
Statutory and Compliance	1.60	1,397	15.80	7,044	38.30	10,607	20.75	4,794	76.45	23,842
Tax and VAT	10.10	10,400	2.55	1,334	7.60	2,975	-	-	20.25	14,709
LBIE Recharges	0.24	158	0.33	136	2.06	554	1.19	264	3.82	1,112
<b>Grand Total</b>	<b>109.19</b>	<b>87,994</b>	<b>140.58</b>	<b>67,681</b>	<b>140.71</b>	<b>40,966</b>	<b>53.49</b>	<b>12,422</b>	<b>443.97</b>	<b>209,063</b>
<b>Average Hourly Rate</b>		<b>806</b>		<b>481</b>		<b>291</b>		<b>232</b>		<b>471</b>

### Current Charge out Rates:

Grade	Business Recovery Services		Specialist	
	From 1 January 2015	From 1 July 2015	From 1 January 2015	From 1 July 2015
Partner	873	899	1,225	1,262
Director	765	788	1,076	1,108
Senior manager	512	527	905	932
Manager	431	444	660	680
Senior Associate	360	371	490	505
Associate/Support Staff	229	236	229	235

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 2015 to 14 September 2015***

### **Accounting and treasury - £15,237**

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

### **Strategy and planning - £154,163**

- Due consideration of best strategy for dealing with the disposal of the loan portfolio;
- Reviewing financial information including updating the Estimated Outcome Statement;
- Liaising with the Financial Services Authority in respect of the disposal of the remaining re-performing loan pool;
- 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;
- Advertising and preparation of third and final dividend;
- Preparation of documents in relation to the distribution in specie to LBHI;
- Communications with debtors and reviewing debtor position;
- Liaison with the Financial Conduct Authority to ensure ongoing compliance with The Consumer Credit Act; and
- Applying to Court for approval of exit strategy.

### **Statutory and other compliance - £23,842**

- Preparation of the Administrators' 13th progress and final reports;
- 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 - £14,709**

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

### **LBIE recharges - £1,112**

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