
Zestdew Limited – In Administration

Joint Administrators' progress
report for the period 29 October
2013 to 28 April 2014

23 May 2014

Contents

| | | |
|------------------|--|--------------|
| Section 1 | <i>Purpose of the Joint Administrators' progress report</i> | 3 |
| Section 2 | <i>Joint Administrators' actions to date</i> | 4 |
| Section 3 | <i>Statutory and other Information</i> | 5 |
| Section 4 | <i>Financial Information</i> | 6 |
| Section 5 | <i>Receipts and Payments Account</i> | 7 |
| Section 6 | <i>Joint Administrators' time costs for the period of 1 October 2013 to 31 March 2014</i> | 8 - 9 |

Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eleventh 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 2014.

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.

The Administrators declared and paid a first interim dividend of 1.75 pence in the £ to the Company's unsecured non-preferential creditors on 23 September 2013.

The timing and quantum of any future dividends remains uncertain.

Pension liability

Following the Supreme Court judgment in July 2013, to which we referred in our last report, the stay which had been in force for the Upper Tribunal proceedings came to an end.

The Upper Tribunal has the role of deciding whether a Financial Support Direction ("FSD") should be made, and against which entities.

On 13 January 2014, the Upper Tribunal confirmed that Zestdew is no longer one of the potential targets of a FSD. Accordingly, there is no requirement for Zestdew to reserve in respect of the contingent pension liability.

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 2014.

In light of the fact that Zestdew no longer has a contingent liability to the pension scheme, the Administrators are now working towards finalising the outstanding issues and distributing the remaining funds in the estate before the Administration expires.

In the event that all of the issues cannot be resolved within that timeframe, the Administrators will consider whether to extend the Administration further or to place the Company into Creditors' Voluntary Liquidation.

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.

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, its parent company.

The vast majority of these portfolios were subsequently securitised via a special purpose vehicle ("SPV") and the Company retained a small portfolio of c.1,100 loans with an unpaid principal value of c. £10m. 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 period, Zestdew has made recoveries of £0.1m in respect of its portfolio of consumer loans.

On 3 April 2014, a fifth distribution was received from the estates of Lehman Brothers Special Financing Inc ("LBSFI") and Lehman Brothers Holdings Inc ("LBHI") of \$0.10m and \$0.08m respectively.

Further dividends from LBSFI and LBHI are expected to be received on a six monthly basis.

The Administrators have adjudicated upon all claims received and in September last year declared a first interim dividend of 1.75 pence in the £ to unsecured non-preferential creditors whose claims had been admitted.

Outstanding matters

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

The Administrators continue to assess market conditions and review whether it would be more beneficial to creditors to sell the loan portfolio.

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 fourth extension has been granted by the High Court of Justice until 30 November 2014. |
| <i>Proposed end of the Administration:</i> | The Administrators wish to retain various exit options available to them. However it is most likely that the Administrators will continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so in June 2013) and, once the final distribution has been made apply for the dissolution of the Company. |
| <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. The quantum and timing of any further dividends remains uncertain at present. |
| <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. |

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 2013 to 31 March 2014, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for this period total £69,903 plus VAT, which represents 164.07 hours at an average hourly rate of £426.00.

To date, remuneration of £630,312 plus VAT has been drawn in respect of time costs incurred to 31 January 2014.

Receipts and payments account

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

Section 5 Receipts and Payments Account

| | GBP | | | USD | | |
|---|--------------------|------------------------|--------------------|--------------------|------------------------|--------------------|
| | As at 28-Apr-14 | Movements in Period | As at 28-Oct-13 | As at 28-Apr-14 | Movements in Period | As at 28-Oct-13 |
| Receipts | | | | | | |
| Recoveries on loan portfolio | 2,168,301 | 112,913 | 2,055,388 | - | - | - |
| Cash at bank | 1,006,923 | - | 1,006,923 | - | - | - |
| Distribution from LBSF | - | - | - | 1,034,165 | 105,545 | 928,620 |
| Distribution from LBHI | - | - | - | 330,390 | 78,244 | 252,146 |
| Refund of CCA licence | 1,282 | 1,282 | - | - | - | - |
| Sale of tax losses | 166,451 | - | 166,451 | - | - | - |
| Interest received gross | 2,484 | - | 2,484 | - | - | - |
| Total | 3,345,441 | 114,195 | 3,231,246 | 1,364,555 | 183,789 | 1,180,766 |
| Payments | | | | | | |
| Joint Administrators' remuneration | 630,312 | 49,514 | 580,798 | - | - | - |
| Joint Administrators' category 1 disbursements | 3,279 | - | 3,279 | - | - | - |
| Legal fees | 162,943 | 18,287 | 144,656 | - | - | - |
| Debt collection fees | 66,939 | 4,980 | 61,959 | - | - | - |
| Employee costs | 8,123 | 2,347 | 5,776 | - | - | - |
| IT costs | 5,741 | - | 5,741 | - | - | - |
| Statutory advertising | 10,647 | - | 10,647 | - | - | - |
| Bank charges | 135 | - | 135 | 242 | 80 | 162 |
| Irrecoverable VAT (see Note 1) | 151,081 | 13,878 | 137,203 | - | - | - |
| Total | 1,039,200 | 89,006 | 950,194 | 242 | 80 | 162 |
| Intracompany transfer | | | | | | |
| Payment | - | - | - | (1,363,274) | (183,709) | (1,179,565) |
| Receipt | 851,661 | 110,856 | 740,805 | - | - | - |
| Total receipts less total payments | 3,157,902 | 136,045 | 3,021,857 | 1,039 | - | 1,039 |
| Distributions | | | | | | |
| 1st dividend to unsecured creditors at 1.75p in the £, declared in September 2013 | 243,186 | - | 243,186 | - | - | - |
| Cash in hand / (movement in year) | 2,914,716 | 136,045 | 2,778,671 | 1,039 | - | 1,039 |
| Cash balances | | | | | | |
| HSBC (Non-interest bearing) | 2,914,716 | 136,045 | 2,778,671 | 1,039 | - | 1,039 |
| Total Cash | 2,914,716 | 136,045 | 2,778,671 | 1,039 | - | 1,039 |

Notes:

- (1) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- (2) The total GBP equivalent cash in hand at the exchange rate on 28 April 2014 is £2,915,334.

Section 6 Joint Administrators' time costs for the period 1 October 2013 to 31 March 2014

| Classification of work | Partner/Director | | Senior Manager/Manager | | Senior Associate | | Associate/Support Staff | | Total hours | |
|--------------------------------|------------------|---------------|------------------------|---------------|------------------|---------------|-------------------------|--------------|---------------|---------------|
| | Hours | £ | Hours | £ | Hours | £ | Hours | £ | Hours | £ |
| Accounting and treasury | - | - | 0.90 | 388 | 5.90 | 1,707 | 20.70 | 4,740 | 27.50 | 6,835 |
| Administration and planning | 36.87 | 24,560 | 9.55 | 4,148 | 15.15 | 5,444 | 5.90 | 1,351 | 67.47 | 35,503 |
| Creditors | - | - | - | - | 1.75 | 630 | 0.12 | 27 | 1.87 | 657 |
| Statutory and other compliance | 1.90 | 1,451 | 6.10 | 2,670 | 17.60 | 6,055 | 2.30 | 527 | 27.90 | 10,703 |
| Tax and VAT | 1.40 | 1,359 | 14.15 | 7,541 | 3.05 | 1,098 | 10.80 | 1,744 | 29.40 | 11,742 |
| Pensions | 3.10 | 2,196 | 0.40 | 172 | 4.40 | 1,584 | 0.35 | 80 | 8.25 | 4,032 |
| LBL Recharges | 0.02 | 15 | 0.18 | 81 | 0.39 | 90 | 1.09 | 245 | 1.68 | 431 |
| Grand Total | 43.29 | 29,581 | 31.28 | 15,000 | 48.24 | 16,608 | 41.26 | 8,714 | 164.07 | 69,903 |
| Average Hourly Rate | 683 | | 480 | | 344 | | 211 | | 426 | |

| Current charge out rates | Business Recovery Services | Specialist | 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 maximum 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 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 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. |
|--------------------------|----------------------------|------------|--|
| Grade | Max £/hr | Max £/hr | |
| Partner | 873 | 1,167 | |
| Director | 665 | 1,076 | |
| Senior manager | 512 | 905 | |
| Manager | 431 | 660 | |
| Senior Associate | 360 | 490 | |
| Associate/Support Staff | 229 | 228 | |

Narrative of the Joint Administrators' time costs for the period 1 October 2013 to 31 March 2014

Accounting and treasury - £6,835

- Monitoring flow of funds into the bank accounts;
- Reconciliation of bank accounts; and
- Arranging receipts and payments of funds and coding of movements.

Administration and planning - £35,503

- Reviewing financial information;
- Updating strategy documents;
- Discussions regarding strategy for the Administration;
- Discussions with servicer regarding various loans;
- Communications with debtors; and
- Ensuring ongoing compliance with The Consumer Credit Act.

Creditors - £657

- Maintaining database of creditor claims.

Statutory and other compliance - £10,703

- Preparation of the Administrators' tenth 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 the Zestdew database.

Tax and VAT - £11,742

- Finalising discussions regarding distributions and closure strategy;
- Preparation of post-appointment tax computations;
- VAT reconciliation and preparation of VAT returns;
- Preparation for and starting Senior Accounting Officer work; and
- Review of documents and discussions regarding tax provision.

Pensions – £4,032

- Preparations for and attending the Court of Appeal pensions hearing; and
- Participating in discussions to try and resolve the pension issue.

LBL recharges - £431

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