
Zestdew 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 (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 October 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.

At least one further distribution will be made to creditors prior to the closure of the Administration.

Pensions liability

On 13 January 2013, the Upper Tribunal confirmed that Zestdew was no longer one of the potential targets of a Financial Support Direction ("FSD") and as a result the pension reserves previously held were released.

A number of other potential FSD targets within the Lehman group of companies reached a settlement agreement with the Pensions Scheme Trustees, which became effective on 18 August 2014. As part

of the settlement, Zestdew has contributed to certain legal costs of the Pension Scheme Trustees and the Pensions Regulator.

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. The Administrators do not anticipate that it will be necessary to extend the Administration further.

The Administrators are now working towards finalising the outstanding issues and distributing the remaining funds in the estate before bringing the Administration to an end.

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.

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. 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 £0.08m in respect of its portfolio of consumer loans.

On 2 October 2014, a sixth distribution was received from the estates of Lehman Brothers Special Financing Inc ("LBSFI") and Lehman Brothers Holdings Inc ("LBHI") of \$0.06m and \$0.06m respectively.

Further dividends from LBSFI and LBHI are expected to be received on a six monthly basis. The Administrators are now 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 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 all possible outcomes for the portfolio in order to maximise the benefit for creditors.

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 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 April 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 £81,693 plus VAT, which represents hours at an average hourly rate of £389.

To date, remuneration of £746,493 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.

Section 5 Receipts and Payments Account

	GBP		USD	
	As at 28-Oct-14	Movements in Period	As at 28-Oct-14	Movements in Period
	28-Apr-14		28-Apr-14	
Receipts				
Recoveries on loan portfolio	2,245,560	77,259	-	-
Cash at bank	1,006,923	-	-	-
Distribution from LBIE	362,128	362,128	-	-
Distribution from LBSF	-	-	1,092,925	58,760
Distribution from LBHI	-	-	390,896	60,506
Refund of CCA licence	1,282	-	-	-
Sale of tax losses	190,952	23,601	-	-
Interest received gross	2,484	-	-	-
Total	3,808,429	462,988	1,483,821	119,266
				1,364,555
Payments				
Joint Administrators' remuneration	746,493	116,181	-	-
Joint Administrators' category 1 disbursements	5,222	1,943	-	-
Legal fees	182,349	19,406	-	-
Pension related legal costs	25,570	25,570	-	-
Debt collection fees	70,368	3,429	-	-
Employee costs	14,030	5,907	-	-
IT costs	10,647	-	-	-
Statutory advertising	135	-	391	149
Bank charges	179,273	28,192	-	-
Irrecoverable VAT (see Note 1)	1,239,828	200,628	391	149
Total				
				242
Intracompany transfer				
Payment	-	-	-	-
Receipt	925,690	74,029	(1,483,430)	(120,156)
Total receipts less total payments	3,494,291	336,389	3,157,902	(1,039)
Distributions				
1st dividend to unsecured creditors at 1.75p in the £, declared in September 2013	243,186	-	-	-
Cash in hand / (movement in year)	3,251,105	336,389	-	(1,039)
Total Cash				1,039
Cash balances				
HSBC (Non-interest bearing)	3,251,105	336,389	-	(1,039)
Total Cash	3,251,105	336,389	2,914,716	(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.

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	-	-	5.55	2,392	10.40	2,813	25.70	5,885	41.65	11,090
Administration and planning	26.55	17,656	19.55	8,426	17.95	6,433	19.50	4,466	83.55	36,980
Creditors	-	-	-	-	1.80	629	6.30	1,443	8.10	2,071
Statutory and other compliance	0.60	574	8.20	3,575	16.60	5,976	10.00	2,290	35.40	12,365
Tax and VAT	3.40	3,447	12.30	7,351	8.75	3,146	2.90	440	27.35	14,384
Pensions	-	-	-	-	12.05	4,338	-	-	12.05	4,338
LBE Recharges	0.09	57	0.23	97	0.14	32	1.38	278	1.83	465
Grand Total	30.64	21,684	45.83	21,841	67.69	23,367	65.78	14,801	209.93	81,593
Average Hourly Rate		708		477		345		225		389

Current charge out rates	Business Recovery Services		Specialist	
	To 30 June	From 1 July	To 30 June	From 1 July
Grade	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	873	873	1,167	1,225
Director	665	665	1,076	1,076
Senior manager	512	512	905	905
Manager	431	431	660	660
Senior Associate	360	360	490	490
Associate/Support Staff	229	229	228	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 increases) 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 - £11,090

- 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 - £36,980

- Reviewing financial information including updating the Estimated Outcome Statement;
- Updating strategy documents;
- Discussions regarding strategy for the Administration;
- Assessing strategy regarding the possible disposal of the loan portfolio;
- Evaluating exit routes and strategy for extension of the Administration;
- Discussions with servicer regarding various loans;
- Communications with debtors and reviewing debtor position; and
- Ensuring ongoing compliance with The Consumer Credit Act.

Creditors - £2,071

- Maintaining the creditor files.

Statutory and other compliance - £12,365

- 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 report to accompany the application for extension;
- Preparation of the Administrators' six monthly review summary;
- Dealing with statutory issues; and
- Maintaining case files and the Zestdew database.

Tax and VAT - £14,384

- Discussions regarding distributions and closure strategy;
- Preparation of post-appointment tax computations;
- VAT reconciliation and preparation of VAT returns;
- Reviewing tax position in respect of the extension of the Administration; and
- Review of documents and discussions regarding tax provision.

Pensions – £4,338

- Following confirmation that Zestdew 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 - £465

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