

# Zestdew Limited – In Administration

Joint Administrators' progress report for the period 29  
October 2008 to 28 April 2009

21 May 2009

# Contents

<b>Section</b>	<b>Page</b>
<b>1</b> Purpose of the Joint Administrators' progress report	<b>2</b>
<b>2</b> Background information	<b>3</b>
<b>3</b> Joint Administrators' actions to date	<b>4</b>
<b>4</b> Statutory and other information	<b>5</b>
<b>5</b> Financial information	<b>6</b>
<b>6</b> Receipts and payments to 28 April 2009	<b>7</b>
<b>Appendix</b>	
<b>A</b> Joint Administrators' remuneration for the period 29 October 2008 to 28 February 2009	<b>8 – 9</b>



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

## Introduction

This is the first progress report by the Joint Administrators of Zestdew Limited ("Zestdew" or the "Company").

Creditors were sent the Joint Administrators' (the "Administrators") proposals on 19 December 2008 which were approved at a meeting of creditors held by correspondence on 5 January 2009.

This report provides details of the work we have undertaken and the progress we have made during the first six months of our appointment.

## Objective of the Administration

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

The specific aims of this Administration are to:

- Protect, manage and realise the Company's assets;
- Deal with any servicing and regulatory issues; and
- If funds become available, agree in principle the claims of unsecured creditors.

## Creditors' Committee

There were insufficient nominations to form a Creditors' Committee.

## Administrators' remuneration

The Administrators' made a request in their Proposals for the approval of their remuneration. Creditors resolved that the Administrators' remuneration should be fixed by reference to the time properly given by them and the various grades of their staff on a time cost basis and that remuneration could be drawn from time to time. Details of the Administrators' remuneration drawn to 28 February 2009 are shown at Appendix A of this report.

## Outcome for creditors

At this time the Administrators are unable to provide a reliable estimate of the likely dividend to ordinary unsecured creditors as there are uncertainties regarding future realisations. The timing and level of any dividend therefore remains uncertain.

## What steps should be taken now

The Administrators will continue to manage the Administration in accordance with the proposals approved by creditors.

Until there is more certainty regarding dividend prospects, claims agreement work will be restricted to gathering information. If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

## Future reports

The Joint Administrators' next progress report to creditors will be sent in approximately six months time.

Signed:



DA Howell  
Joint Administrator  
Zestdew Limited

# Section 2: Background information

## **Background information**

Zestdew is a subsidiary of LB SF No 1 – in Administration (“LBSF1”) and part of the Lehman Brothers group of companies, (the “Lehman Group”).

The Company invested funds from LBSF1 in a portfolio of unsecured re-performing loans acquired from Lloyds TSB Bank Plc (“Lloyds”).

## **Events immediately preceding the Administrators’ appointment**

Following the insolvency of Lehman Brothers Holdings Inc (“LBHI”) and the appointment of Administrators to Lehman Brothers International (Europe) (“LBIE”), the Administrators of LBIE undertook a detailed review of the Lehman Group within the UK.

As a consequence of this review, on 2 October 2008, Administrators were appointed over the business and assets of LBSF1, triggering a call upon Zestdew to repay the indebtedness to LBSF1.

Zestdew was unable to repay this debt. On recognising that the Company was therefore cash flow insolvent, the directors resolved to place Zestdew into Administration, and this they did on 29 October 2008.

# Section 3: Joint Administrators' actions to date

## Background

The Company was incorporated to manage investments in portfolios of re-performing loans acquired from Lloyds with funding provided by LBSF1.

The vast majority of these portfolios were subsequently securitised via a special purpose vehicle ("SPV") but the Company retained a small portfolio with a book value of c\$10m, and which comprised c1,100 loans. The loans were serviced by either Lloyds, where beneficial interest was held, or by a third party servicer, where legal title was held.

## Initial strategy

The initial strategy adopted by the Administrators was to work closely with both Lloyds and the third party servicer to ensure that the loans continued to be serviced and to preserve value for the Company.

## Administrators' actions to date

A "Hold vs. Sell" analysis was carried out to ascertain the most appropriate strategy. The analysis concluded that realisations would be maximised by holding on to the loan portfolio. It was also established that the sale price would be adversely affected by the following factors:

- the depressed market conditions for distressed unsecured loans due to reduced liquidity in the market; and
- the small size of the portfolio.

## Outstanding matters

Due to the nature of the portfolio, there are uncertainties as to the timescale in which it will be possible to realise value. The Administrators have therefore been working closely with the third party servicer, and will continue to do so, to ensure that the portfolio continues to be serviced. A new servicing agreement has been agreed with the third party servicer to enable this continued servicing, which the Administrators have ensured complies with the provisions of the Consumer Credit Act ("CCA").

The Administrators will regularly review and monitor the work of both the third party servicer and the Company's management and are working to agree a reporting framework. The purpose of this is to ensure that the portfolios are regularly analysed to allow value to be realised for them as soon as it is possible to do so.

# Section 4: Statutory and other information

<b>Court details for the Administration:</b>	High Court of Justice, Chancery Division, Companies Court - Court Case 9579 of 2008
<b>Full name:</b>	Zestdew Limited
<b>Trading name:</b>	Zestdew Limited
<b>Registered number:</b>	05965830
<b>Registered address:</b>	25 Bank Street, London E14 5LE, England.
<b>Company directors:</b>	LJ Weir
<b>Company secretary:</b>	P Dave
<b>Shareholdings held by the directors and secretary:</b>	The director does not owns any shares in Zestdew
<b>Date of the Administration appointment:</b>	29 October 2008
<b>Administrators' names and addresses:</b>	DA Howell, AV Lomas, GH Martin and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
<b>Appointer's name and address:</b>	The director of the Company, 25 Bank Street, London E14 5LE
<b>Objective being pursued by the Administrators:</b>	Achieving a better result for Zestdew's creditors as a whole than would be likely if Zestdew were wound up (without first being in Administration)
<b>Division of the Administrators' responsibilities:</b>	Statement of Power for the purposes of paragraph 100(2) Schedule B1 to the Insolvency Act 1986. The Director of Zestdew Limited (the "Company") have appointed DA Howell, AV Lomas, GH Martin and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as Administrators of the Company. The Administrators will act jointly and severally so that all functions may be exercised by any or all of them.
<b>Proposed end of the Administration:</b>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<b>Estimated dividend for unsecured creditors:</b>	It is too early to estimate the likely dividend for unsecured creditors.
<b>Estimated values of the prescribed part and Zestdew's net property:</b>	Not applicable as there is no prescribed part.
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	Not applicable as there is no prescribed part.
<b>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No 1346/2000 of 29 May 2000):</b>	The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings.

# Section 5: Financial information

## **Statement of Affairs**

The Directors have provided their Statement of Affairs (the "Statement"). This Statement is not attached to the progress report as disclosure of the information therein may impact adversely upon future realisations.

## **Receipts and payments account**

An account of the receipts and payments in the Administration for the six months to 28 April 2009 is set out in section 6 to this report.

## **Administrators' remuneration**

At the 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 Appendix A is a summary of the Administrators' time costs for the period 29 October 2008 to 28 February 2009, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

This shows that the total time costs for the period is £79,131.92, which represents 206.30 hours at an average hourly rate of £383.58. To date, remuneration of £45,864.92 has been drawn from Zestdew's estate, and a further £33,267 will be drawn shortly.

# Section 6: Receipts and payments

29 October 2008 to 28 April 2009

<b>RECEIPT</b>	<b>GBP (£)</b>
Interest on loan portfolio	170,551
Cash at bank	1,006,923
<b>Total receipts</b>	<b>1,177,474</b>
<b>PAYMENT</b>	
Joint Administrators' remuneration	45,865
Joint Administrators' category 1 disbursement	1,767
Statutory advertising	531
Legal Fees	244
Bank charges	80
VAT	7,145
<b>Total payments</b>	<b>55,632</b>
<b>NET POSITION</b>	<b>1,121,842</b>
<b>CASH BALANCES</b>	
HSBC - interesting bearing current account	1,121,842
<b>Total Cash in hand</b>	<b>1,121,842</b>

## Zestdew Limited - in administration

## Time cost summary for the period 29 October 2008 to 28 February 2009

Classification of work	Partner / Director (Hrs)	Senior Manager / Manager (Hrs)	Senior Associate (Hrs)	Associate / Support (Hrs)	Total hours (Hrs)	Time cost (£)	Average hourly rate (£)
Accounting and Treasury	0.50	39.70	16.70	2.40	59.30	21,127.73	356.29
Asset Disposals	5.30	33.80	0.60	0.30	40.00	16,602.16	415.05
Statutory and Compliance	-	1.70	2.50	1.10	5.30	1,727.75	325.99
Strategy and Planning	12.50	57.90	14.90	16.40	101.70	39,674.28	390.11
<b>Total to date</b>	<b>18.30</b>	<b>133.10</b>	<b>34.70</b>	<b>20.20</b>	<b>206.30</b>	<b>79,131.92</b>	<b>383.58</b>
<b>Total time cost: (£)</b>	<b>13,189.44</b>	<b>51,612.74</b>	<b>10,656.14</b>	<b>3,673.61</b>			
<b>Average hourly rate: (£)</b>	<b>720.73</b>	<b>387.77</b>	<b>307.09</b>	<b>181.86</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  
**Total**

Costs to date (£)
-

Current charge out rates Grade	Business Recovery Services		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	670	860	860	860
Director	570	770	770	770
Senior manager	425	720	720	720
Manager	365	406	406	406
Senior Associate	220	320	320	320
Associate	190	135	135	135
Support Staff	95	85	85	85

The Administrators' remuneration is to be fixed by reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration. These fees are 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 this 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' committee in the next statutory report.

## Zestdew Limited

The following narrative summarises the work undertaken by the Joint Administrators' staff during the period.

### Operations

- Obtaining and analysing loan portfolio information from management.
- Determining ownership of title of assets.
- Performing "sale vs. hold" analysis.
- Liaising with other third party servicers to determine optimal portfolio servicing options.
- Liaising with existing loan servicer to formalise servicing agreement to preserve value of the portfolio.
- Ensuring compliance with Consumer Credit Act guidance.

### Accounting and treasury

- Setting up new currency accounts and freezing pre-Administration accounts.
- Monitoring flow of funds into new bank accounts.
- Developing bank reconciliation process.
- Supporting the preparation of statement of affairs for Zestdew.
- Reconciliation of debt to LBHI, LBSF, LBIE and LBL.

### Statutory and compliance

- Managing Zestdew's Administration database.
- Preparation of all first day letters, including statutory notices to the Court, the Registrar of Companies, the Company, directors and creditors.
- Preparation and distribution of the Administrators report on progress and proposals for completing the Administration to all known creditors, the Court and the Registrar of Companies.
- Preparation and holding of the first meeting of creditors held by correspondence.
- Completion of statutory letters to creditors, the Court and the Registrar of Companies in respect of the outcome of the meeting.

### Strategy and planning

- Meetings to discuss asset valuations and strategy.
- Acceptance of appointment documents.
- Establishing internal controls, databases and case files.
- Arranging insurance cover.
- Preparing detailed fee summaries and analysing timesheets for completeness and accuracy.