

# Zestdew Limited – In Administration

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

25 November 2009

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

## Introduction

This is the second progress report prepared by the Joint Administrators (the "Administrators") of Zestdew Limited ("Zestdew" or the "Company"), under Rule 2.47(3)(a) of the Insolvency Rules 1986.

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 made in the six months to 28 October 2009.

## 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
- Agree creditors' claims and, if applicable, make an distribution to creditors.

## Creditors' Committee

There were insufficient nominations to form a Creditors' Committee.

## 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.

## Extension of the Administration

On the application of the Administrators, the High Court made an Order extending the period of the Administration to 30 November 2010.

## Future reports

The Administrators will next report to creditors in approximately six months time or when the Administration comes to an end, whichever is sooner.

Signed:



DA Howell  
Joint Administrator  
Zestdew Limited

## 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 ("Lloyds") with funding provided by LB SF No. 1 – in Administration, its parent company.

The vast majority of these portfolios were subsequently securitised via a special purpose vehicle ("SPV") but the Company retained a small portfolio with an unpaid principal value of c£10m, and which comprised c1,100 loans. The loans are serviced by Lloyds, with Zestdew holding the beneficial interest to the collections and Lloyds holding the legal title. Once Lloyds decides to charge off a loan, then, according to the terms of the agreement, legal title passes to Zestdew and servicing to a 3rd party servicer.

### Administrators' actions to date

The Administrators decided to implement a 'hold' strategy on the loan portfolio, in order to maximise realisations.

Negotiations have been ongoing with a third party servicer to ensure the portfolio continues to be serviced.

Lloyds continues to service the loans in its portfolio.

### Outstanding matters

The Administrators will continue to work closely with the third party servicer to ensure that the portfolio continues to be serviced and realisations are maximised.

### Extension of the Administrations

On 28 July 2009 the Administrators made an application to Court to extend the period of the Administration. The Court made an Order extending the Administration until 30 November 2010.

The application was made for the following reasons;

- There are various matters in the estate that, in the Administrators' view, would be better dealt with in Administration;
- Entering into an insolvency process other than Administration has the effect of breaking the

Group of Companies for tax purposes. The Administrators are aware that there are potential tax losses within the Group of Companies which may have value to this estate, and which would be lost if the Company entered into another insolvency process.

- The Administrators have not yet determined the most appropriate exit route from Administration.

## Section 3: 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") has appointed DA Howell, AV Lomas, GH Martin and DY Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT as joint administrators of the Company. The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them.
<b>Details of any extensions for the initial period of appointment:</b>	The Court has granted an extension of the Administration to 30 November 2010.
<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 4: Financial information

## **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 as an Appendix is, a summary of the Administrators' time costs for the period 1 March 2009 to 31 October 2009, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed. We previously provided a time cost analysis for the period 29 October 2008 to 28 February 2009.

The SIP 9 summary shows that the total time costs for the period are £176,563, which represents 455.3 hours at an average hourly rate of £387.79.

To date, remuneration of £243,463 has been drawn.

## **Receipts and payments account**

An account of the receipts and payments in the Administration to 28 October 2009 is set out in section 5 to this report.

## Section 5: Receipts and payments accounts for the period ended 28 October 2009

	As at 28 October 2009 GBP (£)	As at 28 April 2009 GBP (£)	Movements GBP (£)
<b>RECEIPT</b>			
Interest on loan portfolio	455,564	170,551	285,013
Cash at Bank	1,006,923	1,006,923	-
<b>Receipts Grand Totals</b>	<b>1,462,487</b>	<b>1,177,474</b>	<b>285,013</b>
<b>PAYMENT</b>			
Joint Administrators' remuneration	243,463	45,865	197,598
Joint Administrators' Category 1 disbursements	1,767	1,767	-
Statutory Advertising	1,244	531	713
Legal fees	86,173	244	85,929
Bank charges	120	80	40
VAT paid	49,911	7,145	42,766
			-
<b>Payments Grand Totals</b>	<b>382,678</b>	<b>55,632</b>	<b>327,046</b>
<b>NET POSITION</b>	<b>1,079,809</b>	<b>1,121,842</b>	<b>(42,033)</b>
<b>CASH BALANCES</b>			
Bank of England	-		
HSBC	1,079,809		
Money market deposits	-		
<b>Total Cash</b>	<b>1,079,809</b>		

# Appendix: Summary of the Joint Administrators' time costs for the period 1 March 2009 to 31 October 2009

Classification of work	PARTNER / DIRECTOR		SENIOR MANAGER / MANAGER		SENIOR ASSOCIATE		ASSOCIATE / SUPPORT STAFF		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Asset Disposals	3.5	2,463	115.7	50,377					119.2	52,840
Strategy and Planning	11.3	8,706	32.6	13,197	30.0	9,341	6.6	982	80.5	32,226
Accounting and treasury	0.1	31	28.8	10,927	24	7,348	18.4	3,371	71.2	21,677
Statutory, compliance and other workstreams	5.1	3,500	113.8	47,735	52.0	16,078	13.5	2,507	184.4	69,820
<b>Grand Total</b>	<b>20.0</b>	<b>14,700</b>	<b>290.9</b>	<b>122,236</b>	<b>105.9</b>	<b>32,767</b>	<b>38.5</b>	<b>6,860</b>	<b>455.3</b>	<b>176,563</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 Grade	Business Recovery Services		Specialist*	
	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	785	1,070		
Director	590	890		
Senior manager	450	810		
Manager	390	590		
Senior Associate	320	395		
Associate / Support Staff	200	200		

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 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 in the next statutory report.

# Appendix: Narrative of time costs

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

## **Asset Disposal - £52,840**

- Obtaining and analysing loan portfolio information from management.
- Determining ownership of assets.
- 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 ongoing compliance with Consumer Credit Act guidance.

## **Strategy and planning - £32,226**

- Meetings to discuss asset valuations and strategy.
- Preparing detailed fee summary.
- Analysing timesheets for completeness and accuracy.

## **Accounting and treasury - £21,677**

- Monitoring flow of funds into the bank accounts.
- Reconciliation of bank accounts.
- Reconciliation of debt to LBHI, LBSF, LBIE and LBL.

## **Statutory, compliance and other workstreams - £69,820**

- Managing the statutory database
- Preparation of the Administrators progress report
- Dealing with statutory issues
- Tax and VAT issues
- Lehman Brothers Limited – (in administration) recharges