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# *Zestdew Limited – In Administration*

Joint Administrators' progress  
report for the period 29 April 2010  
to 28 October 2010

24 November 2010

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

## ***Introduction***

This is the fourth 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 our appointment, with particular focus on the progress made in the six months to 28 October 2010.

## ***Objectives 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 a distribution to creditors.

## ***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 quantum of any dividend therefore remains uncertain.

Paragraph 65(3) of Schedule B1 of the Insolvency Act 1986 ("IA86") states that an administrator cannot make a distribution to creditors unless permission to do so is granted by the Court. The Administrators had intended to make such an application in 2010. However, this has been delayed because the Pensions Regulator listed Zestdew as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme.

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that an FSD should not be issued against Zestdew. However, as the

FSD legal process has not yet been completed, the Administrators are not certain at this stage whether Zestdew will have liability under an FSD. The Administrators therefore need to delay making an application to the Court for permission to make a distribution to creditors.

Given this ongoing process, the timing of the initial dividend to creditors remains uncertain.

If you have not already submitted your claim to the Administrators, please do so by completing the enclosed statement of claim form.

## ***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 2011.

## ***Future reports***

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

Signed:



DA Howell  
Joint Administrator  
Zestdew Limited

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## ***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 servicing to a 3rd party servicer.

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

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

Lloyds continues to service the loans in its portfolio, and a third party servicer is servicing the loans that have been charged off by Lloyds.

### ***Outstanding matters***

Negotiations have been ongoing with a third party servicer to ensure realisations from the portfolio continue to be maximised, and a servicing agreement is expected to be signed within the next few weeks.

The Administrators are making preparations to pay an initial dividend to unsecured creditors and, where possible, seeking to agree claims in principle. Once there is certainty that Zestdew is not subject to an FSD the Administrators propose to apply to Court to request an Order to convert the administration of Zestdew into a distributing administration in order to allow them to pay a first interim dividend to unsecured 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>	DA Howell, DY Schwarzmann, SA Pearson, MJA Jervis and AV Lomas of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT.
<i>Appointer's name and address:</i>	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>	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. Further to the appointment of MJA Jervis and SA Pearson as additional Administrators, and resignation of GH Martin, any act required of authorised under any enactment to be done by any or all of the joint administrators may be done by one or more of the persons for that time being holding office.
<i>Details of any extensions of the initial period of appointment:</i>	The Court has granted an extension of the Administration to 30 November 2011.
<i>Proposed end of the Administration:</i>	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
<i>Estimated dividend for unsecured creditors:</i>	It is too early to estimate the likely quantum of the dividends for unsecured creditors
<i>Estimated values of the prescribed part and Zestdew's net property:</i>	There is no prescribed part
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable
<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 4 Financial Information***

### ***Administrators' remuneration***

At the initial 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 Section 6 is a summary of the Administrators' time costs for the period 1 May 2010 to 30 September 2010, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

The SIP 9 summary shows that the total time costs for the period are £48,662, which represents 160.8 hours at an average hourly rate of £302.62.

We have previously provided time cost analyses for the period 29 October 2008 to 30 April 2010.

To date, remuneration of £310,760 plus VAT has been drawn.

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

An account of the receipts and payments in the Administration to 28 October 2010 is set out overleaf.

## Section 5 Receipts and Payments Account

	As at 28 October 2010 (£)	As at 28 April 2009 (£)	Movements GBP (£)
<b>Receipts</b>			
Realisations from loan portfolio	809,623	764,029	45,594
Cash at Bank	1,006,923	1,006,923	-
Interest	1,838	-	1,838
<b>Total receipts</b>	<b>1,818,384</b>	<b>1,770,952</b>	<b>47,432</b>
<b>Payments</b>			
Joint Administrators' remuneration	310,760	272,982	37,778
Joint Administrators' Category 1 disbursements	1,767	1,767	-
Statutory Costs	1,279	1,279	-
Legal fees	92,878	91,069	1,809
Bank charges	135	120	15
VAT paid	62,123	55,196	6,927
<b>Total payments</b>	<b>468,942</b>	<b>422,413</b>	<b>46,529</b>
<b>Net Position</b>	<b>1,349,442</b>	<b>1,348,539</b>	<b>903</b>

### CASH BALANCES

Short term deposits	1,215,838	-	1,215,838
HSBC	133,604	1,348,539	(1,214,935)
<b>Total Cash</b>	<b>1,349,442</b>	<b>1,348,539</b>	<b>903</b>

## Section 6 Joint Administrators' time costs

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support staff		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Accounting and Treasury	-	-	38.8	13,484	11.2	3,525	18.0	3,583	68.0	20,592
Asset disposals	-	-	5.4	2,354	5.5	1,760	-	-	10.9	4,114
Group Interdependencies	-	-	4.5	1,202	6.8	1,405	2.0	208	13.3	2,815
Reporting	-	-	3.1	1,291	16.6	5,345	-	-	19.7	6,636
Strategy and Planning	2.3	1,818	9.6	3,814	3.1	933	0.1	20	15.1	6,585
Tax & VAT	-	-	3.5	1,225	0.2	49	-	-	3.7	1,274
LBL Recharge	0.2	100	8.2	2,968	10.5	2,388	11.2	1,190	30.1	6,646
<b>Grand Total</b>	<b>2.5</b>	<b>1,918</b>	<b>73.1</b>	<b>26,338</b>	<b>53.9</b>	<b>15,405</b>	<b>31.3</b>	<b>5,001</b>	<b>160.8</b>	<b>48,662</b>

The Joint Administrators' policy for charging for disbursements is:

	Costs to date (£)
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	-
<b>Total</b>	<b>-</b>

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 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.
Grade	Max £/hr	Max £/hr	
Partner	800	980	
Director	610	890	
Senior manager	470	830	
Manager	395	605	
Senior Associate	330	330	
Associate / Support Staff	210	195	



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## ***Summary of the Joint Administrators' time costs for the period 1 May 2010 to 30 September 2010***

### **Accounting and treasury - £20,592**

- Monitoring flow of funds into the bank accounts;
- Dealing funds in ensure maximum realisations on investments; and
- Reconciliation of bank accounts.

### **Asset Disposal - £4,114**

- Discussions with servicer regarding various loans;
- Liaising with existing loan servicer to formalise servicing agreement to preserve value of the portfolio; and
- Ensuring ongoing compliance with Consumer Credit Act guidance.

### **Group Interdependencies - £2,815**

- Reviewing affiliate claims; and
- Reviewing systems for debtor and creditor positions.

### **Reporting - £6,636**

- Preparation of the Administrators' progress reports;
- Preparation of receipts and payments accounts; and
- Preparation of time cost analysis.

### **Strategy and planning - £6,585**

- Meetings to discuss asset valuations and strategy.
- Dealing with statutory issues;
- Preparing and reviewing documentation to extend administration;
- Preparing and reviewing documentation in relation to a Court application to make a distribution; and
- Maintaining case files and database.

### **Tax & Vat - £1,274**

- Various Tax and VAT issues; and
- Preparation of tax and VAT returns.

### **LBL recharges - £6,646**

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

