



To all known creditors

24 May 2012

Our Reference: DAH/HEG/AD/ P11-4

Dear Sirs

Zestdew Limited – in Administration (the “Company”)

Pursuant to Rule 2.47 of the Insolvency Rules 1986, I attach a copy of the Joint Administrators' seventh report on the progress of the Administration, together with a copy of Form 2.24B.

Yours faithfully
For and on behalf of the Company

A handwritten signature in blue ink, appearing to read 'DA Howell', is written over a faint, larger version of the same signature.

DA Howell
Joint Administrator

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Zestdew Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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The Insolvency Act 1986

Administrators' progress report

| | |
|--|-----------------------------------|
| Name of Company Zestdew Limited | Company number 05965830 |
| In the High Court of Justice, Chancery Division [full name of court] | Court case number 9579 of 2008 |

(a) Insert full name(s) and address(es) of administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann, Michael John Andrew Jervis and Derek Anthony Howell of

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

| | |
|-----------------------------|-------------------------|
| from (b) 29 October 2011 | to (b) 28 April 2012 |
|-----------------------------|-------------------------|

Signed



Joint Administrator

Dated 24 May 2012

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

| | |
|--|-------------------|
| PricewaterhouseCoopers LLP | |
| 7 More London Riverside, London, SE1 2RT | |
| | Tel 0207 583 5000 |
| DX Number | DX Exchange |

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

Companies House receipt date barcode

Zestdew Limited – In Administration

Joint Administrators' progress
report for the period 29 October
2011 to 28 April 2012

24 May 2012

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the seventh 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 April 2012.

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

The Administrators expect a distribution will be made to unsecured creditors in due course, however the quantum and timing of this distribution remains uncertain, principally due to uncertainty around a potential pension liability.

As previously advised, the Pensions Regulator (the "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.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. Zestdew was among 38 companies that the Panel decided should not be issued with an FSD.

The Panel's decision has been referred to the Upper Tribunal, with the Scheme Trustees asking the Upper Tribunal to overturn the Panel's decision and rule that the 38 companies (including Zestdew)

should also be subject to an FSD. This means that Zestdew is still at risk from this potential liability.

Zestdew (together with 36 other affected entities) applied to the Upper Tribunal, seeking an order that the Trustees' referral to the Upper Tribunal should be struck out on the grounds that it is no longer possible for the Regulator to impose an FSD against Zestdew. The Trustees and the Pensions Regulator opposed the strike-out application, and the hearing took place from 12 to 15 March 2012. Judgment was reserved and has not yet been handed down.

The Administrators of Zestdew and those of the other target companies are exploring ways in which resolution of this pension issue could be expedited. If this can be achieved the Administrators will take steps to prepare for a distribution to creditors at the earliest practical opportunity.

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 2012.

Future reports

The Administrators will next report to creditors in approximately six months.

Signed:



DA Howell
Joint Administrator
Zestdew Limited

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Zestdew Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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

Zestdew continues to hold its portfolio of consumer loans (the "loan portfolio").

In accordance with the asset realisation strategy, the Administrators continue to implement a hold strategy for the loan portfolio. In the period, recoveries of £103,585 have been realised from the loan portfolio.

On 24 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI") and certain other affiliates previously subject to Chapter 11 proceedings in the USA in conjunction with other UK affiliates. The Plans of Reorganisation became effective on 6 March 2012. Pursuant to this agreement Zestdew had its claim against Lehman Brothers Special Financing Inc. ("LBSF") agreed at \$3,390,693 and its guarantee claim against LBHI at \$1,580,988.

The first distributions from both LBSF and LBHI were made on 17 April 2012. Zestdew has received \$678,675 and \$71,252, respectively, in respect of its agreed claims detailed above. These funds were immediately exchanged to GBP to minimise the foreign exchange risk. Further dividends are expected however the quantum and timing remain uncertain.

Outstanding matters

Regular dialogue is ongoing with the third party servicer to ensure that the portfolio continues to be serviced effectively whilst the loans are held. It is

likely to take several years to run off the loan portfolio.

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

The Administrators are seeking to agree claims in principle and 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. This will 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, 7 More London Riverside, London, SE1 2RT |
| <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> | The current Joint Administrators of Zestdew are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmann of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. 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 persons for the time being holding that office. |
| <i>Details of any extensions of the initial period of appointment:</i> | A third extension has been granted by the High Court of Justice until 30 November 2012. |
| <i>Proposed end of the Administration:</i> | The Administrators wish to retain various exit options available to them however the most likely exit route from the Administration is to seek permission to distribute from the administration and proceed to dissolve the Company. |
| <i>Estimated dividend for unsecured creditors:</i> | Based on current information, it is anticipated that there should be a dividend to unsecured creditors, but it is too early to estimate the quantum and timing of such a dividend. |
| <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

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 July 2011 to 31 March 2012, presented in accordance with Statement of Insolvency Practice 9 ("SIP 9"), together with a narrative of the work performed.

Time costs for the period 1 July 2011 to 31 March 2012 are £71,132, which represents 173.43 hours at an average hourly rate of £410.17.

Time cost analyses for the period 29 October 2008 to 30 June 2011 have been provided previously.

Remuneration of £422,101 plus VAT has been drawn in respect of time costs incurred from 29 October 2008 to 31 December 2011.

Rate increase

An increase to rates has been applied with effect from 1 January 2012. Details of increased rates are set out in Section 6.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 28 April 2012 is shown overleaf.

Section 5 Receipts and Payments Account

| | As at 28 April 12 | | As at 28 October 2011 | | Movements | |
|--|-------------------|----------------|-----------------------|----------|----------------|----------------|
| | GBP (£) | USD (\$) | GBP (£) | USD (\$) | GBP (£) | USD (\$) |
| Receipts | | | | | | |
| Recoveries on loan portfolio | 1,617,247 | - | 1,513,662 | - | 103,585 | - |
| Cash at bank | 1,006,923 | - | 1,006,923 | - | - | - |
| Distribution from LBSF | - | 678,675 | - | - | - | 678,675 |
| Distribution from LBHI | - | 71,252 | - | - | - | 71,252 |
| Interest received gross | 2,484 | - | 2,484 | - | - | - |
| Total Receipts | 2,626,654 | 749,927 | 2,523,069 | - | 103,585 | 749,927 |
| Payments | | | | | | |
| Joint Administrators' remuneration | 422,101 | - | 384,628 | - | 37,473 | - |
| Joint Administrators' category 1 disbursements | 3,279 | - | 1,767 | - | 1,512 | - |
| Legal fees | 105,237 | - | 99,504 | - | 5,733 | - |
| Debt collection fees | 33,590 | - | 24,883 | - | 8,707 | - |
| Employee costs | 1,493 | - | 802 | - | 691 | - |
| Statutory advertising | 1,314 | - | 1,314 | - | - | - |
| Bank charges | 135 | - | 135 | - | - | - |
| VAT Paid | 93,977 | - | 84,330 | - | 9,647 | - |
| Total Payments | 661,126 | - | 597,363 | - | 63,763 | - |
| Intracompany transfer | | | | | | |
| Payment | - | (748,900) | - | - | - | (748,900) |
| Receipt | 468,385 | - | - | - | 468,385 | - |
| Net position | 2,433,913 | 1,027 | 1,925,706 | - | 508,207 | 1,027 |
| Cash balances | | | | | | |
| HSBC (Non-interest bearing) | 2,433,913 | 1,027 | 1,925,706 | - | 508,207 | 1,027 |
| Total Cash | 2,433,913 | 1,027 | 1,925,706 | - | 508,207 | 1,027 |

Section 6 Joint Administrators' time costs for the period 1 July 2011 to 31 March 2012

| Classification of work | Partner / Director | | Senior Manager / Manager | | Senior Associate | | Associate / Support | | Total | |
|-------------------------|--------------------|--------------|--------------------------|---------------|------------------|---------------|---------------------|--------------|---------------|---------------|
| | Hrs | £ | Hrs | £ | Hrs | £ | Hrs | £ | Hrs | £ |
| Accounting and Treasury | - | - | 0.30 | 118 | 6.70 | 1,786 | 12.10 | 2,628 | 19.10 | 4,532 |
| Asset Realisation | 4.50 | 3,136 | 74.90 | 34,304 | 9.70 | 3,260 | - | - | 89.10 | 40,700 |
| Statutory and Reporting | - | - | 0.70 | 329 | 18.70 | 5,456 | 0.20 | 44 | 19.60 | 5,829 |
| Strategy and Planning | 3.50 | 2,884 | 12.50 | 5,165 | 10.20 | 3,284 | 3.40 | 742 | 29.60 | 12,075 |
| Tax and VAT | 4.30 | 3,827 | 2.70 | 1,494 | 3.30 | 1,129 | 1.30 | 246 | 11.60 | 6,696 |
| LBL recharges | 0.06 | 36 | 1.77 | 680 | 1.74 | 431 | 0.86 | 153 | 4.43 | 1,300 |
| Grand Total | 12.36 | 9,883 | 92.87 | 42,090 | 50.34 | 15,346 | 17.86 | 3,813 | 173.43 | 71,132 |

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 (£) | - |
| | 3,279 |
| | 3,279 |

| Current charge out rates Grade | Business Recovery Services | | Specialist* | |
|--------------------------------|----------------------------|---------------|-------------|---------------|
| | To 31 Dec 11 | From 1 Jan 12 | Max £/hr | From 1 Jan 12 |
| Partner | 800 | 838 | 980 | 1,027 |
| Director | 610 | 639 | 890 | 932 |
| Senior manager | 470 | 492 | 830 | 869 |
| Manager | 395 | 414 | 605 | 634 |
| Senior Associate | 330 | 346 | 330 | 389 |
| Associate / Support Staff | 210 | 220 | 195 | 204 |

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 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.

Summary of the Joint Administrators' time costs for the period 1 July 2011 to 31 March 2012

Accounting and treasury - £4,532

- Monitoring flow of funds into the bank accounts;
- Effecting receipts and payments; and
- Reconciliation of bank accounts.

Asset Realisation - £40,700

- Time spent submitting and agreeing claims in LBSF and LBHI;
- Obtaining valuations and making enquires to sell certain residual interests;
- 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.

Statutory and Reporting - £5,829

- Preparation of the Administrators' sixth progress report;
- Preparation of receipts and payments accounts;
- Maintaining administration database; and
- Preparation of time cost analyses.

Strategy and Planning - £12,075

- Meetings to discuss asset valuations and strategy;
- Updating strategy document;
- Discussions with advisors regarding pension claim; and
- Maintaining case files.

Tax and VAT - £6,696

- Preparation of Corporation Tax returns; and
- VAT reconciliation and preparation of VAT returns.

LBL recharges - £1,300

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