

# Cherry Tree Mortgages Limited - in Administration

Joint Administrators' progress report for the period  
13 October 2009 to 12 April 2010

11 May 2010



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

## Introduction

This is the third progress report prepared by the Joint Administrators (the "Administrators") of Cherry Tree Mortgages Limited (the "Company" or "Cherry Tree"), 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 12 April 2010.

## Objective of the Administration

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

The specific aim of the Administration is to:

- Protect and control the Company's' portfolios of assets; and
- Realise these assets, including debtors and mortgage portfolios, on a managed basis.

## Outcome for unsecured creditors

Based on the quantum of claims recorded in the Company records, the Administrators anticipate that there will be funds available to allow a distribution to be made to creditors.

The Administrators are therefore beginning the process of establishing in principle the claims of unsecured creditors. This is in line with the proposals as agreed by creditors on 18 December 2008. The Administrators are planning to apply to Court in order to convert the administration of Cherry Tree into a distributing administration. This will allow a distribution to creditors to be paid during the administration.

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 extending the period of the Administration to 30 November 2010.

## Additional Administrators

Steven Anthony Pearson and Michael John Andrew Jervis were appointed as additional Administrators on 30 November 2009.

SA Pearson and MJA Jervis are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

AV Lomas, DY Schwarzmann and DA Howell continue to act as Joint Administrators.


## Change of business address

The Company has relocated from 25 Bank Street and all future correspondence should be addressed to Level 23, 25 Canada Square, London, E14 5LQ.

## Future reports

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

Signed:



DA Howell  
Joint Administrator  
Cherry Tree Mortgages Limited



# Section 2: Joint Administrators' actions to date

## Overview

The principal activity of Cherry Tree was investment in the equity release mortgage portfolio of More 2 Life Limited with funding that was procured from LB SF No.1.

## Administrators' actions to date

Cherry Tree's entire mortgage portfolio was sold for total consideration of £14,201,068. Following exchange of contracts, the Purchaser paid a deposit to Cherry Tree of £1.75m on 30 July 2009.

The transaction was completed on 15 October 2009, on which date, Cherry Tree received the balance of the consideration, being £12,451,068.

## Outstanding matters

The remaining asset listed on the Company's statement of affairs was an intercompany debt due from another Lehman Group company in Administration. However, following further investigation into the origin of the debt, it was found that this debt was actually due to another company within the Lehman Group. Therefore no value will accrue to Cherry Tree.

There is also potential value from surrendering tax losses attributable to the Company. We are currently seeking to determine the best method to realise any value from these losses.

## Extension of the Administration

The Administrators will decide in due course whether a further extension is necessary.



# Section 3: Statutory and other information

<b>Court details for the Administrations:</b>	High Court of Justice, Chancery Division, Companies Court Court no: 8953 of 2008
<b>Full names:</b>	Cherry Tree Mortgages Limited
<b>Trading names:</b>	Cherry Tree Mortgages Limited
<b>Registered numbers:</b>	05529374
<b>Registered address:</b>	25 Canada Square, London E14 5LQ
<b>Company directors:</b>	CJ Patrick (resigned 28/11/08), EW Marley Shaw (resigned 28/11/08)
<b>Company secretary:</b>	Clifford Chance Secretaries (CCA) Limited (resigned 01/12/08)
<b>Shareholdings held by the directors and secretary:</b>	None of the directors own shares in the Company.
<b>Date of the Administration appointments:</b>	13 October 2008
<b>Administrators' names and address:</b>	DA Howell, DY Schwarzmann, SA Pearson, MJA Jervis and AV Lomas of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT.
<b>Appointer's name and address:</b>	The directors of the Company, 25 Bank Street, London E14 5LE
<b>Objective being pursued by the Administrators:</b>	Achieving a better result for creditors as a whole than would be likely if the Companies 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 Directors of Cherry Tree Mortgages Limited (the "Company") have appointed Anthony Victor Lomas, Derek Anthony Howell and Dan Yoram 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, 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.
<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 Administrations:</b>	The Administrators are not yet in a position to determine the most likely exit route from this Administration and wish to retain the options available to them.
<b>Estimated dividend for unsecured creditors:</b>	There will be a dividend to unsecured creditors, but it is too early to estimate the quantum and timing of such a dividend.
<b>Estimated values of the prescribed part and net property:</b>	There is no prescribed part.
<b>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</b>	Not applicable.
<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 these Administrations and these are the main proceedings.



# Section 4: Financial information

## **Administrators' remuneration**

At the meeting of creditors which was held by correspondence on 22 May 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.

The attached Appendix is a summary of the Administrators' time costs for the period 1 October 2009 to 28 February 2010, 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 are £46,953, which represents 140.4 hours at an average hourly rate of £334.42, bringing total time costs from 13 October 2008 to 28 February 2010 to £332,208.

We previously provided a time cost analysis for the period 13 October 2008 to 30 September 2009.

To date, remuneration of £317,317 plus VAT has been drawn.

## **Receipts and payments account**

Set out overleaf is a receipts and payments account for Cherry Tree.



# Section 5: Receipts and Payments account to 12 April 2010

	As at 12 April 2010 GBP (£)	As at 12 October 2009 GBP (£)	Movements GBP (£)
<b>RECEIPT</b>			
Loan from LBIE	1,601	1,601	-
Sale of mortgage portfolio	14,201,068	1,750,000	12,451,068
Interest received gross	17,337	-	17,337
<b>Receipts Grand Totals</b>	<b>14,220,006</b>	<b>1,751,601</b>	<b>12,468,405</b>
<b>PAYMENT</b>			
Statutory costs	1,374	1,400	(26)
Legal fees	27,554	-	27,554
Joint administrators remuneration	317,317	-	317,317
VAT paid	52,009	227	51,782
<b>Payments Grand Totals</b>	<b>398,254</b>	<b>1,627</b>	<b>396,627</b>
<b>NET POSITION</b>	<b>13,821,752</b>	<b>1,749,974</b>	<b>12,071,778</b>
<b>CASH BALANCES</b>			
Bank of England	-		
HSBC	107,828		
Money market deposits	13,713,924		
<b>Total Cash</b>	<b>13,821,752</b>		

## Notes

Cash that is not required for immediate expenses of the administration is invested on the money markets and earns interest.



# Appendix: Summary of the Joint Administrators' time costs for the period 1 October 2009 to 28 February 2010

Classification of work	PARTNER / DIRECTOR		SENIOR MANAGER / MANAGER		SENIOR ASSOCIATE		ASSOCIATE / SUPPORT STAFF		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Asset Realisation	2.5	1,963	-	-	3.2	1,024	-	-	5.7	2,987
Strategy and Planning	1.0	824	7.4	3,275	24.3	7,887	1.9	232	34.6	12,018
Tax & VAT	2.2	1,914	4.0	1,360	1.6	512	-	-	7.8	3,786
Statutory, accounting and other *	0.2	182	8.2	3,473	25.8	8,099	32.3	6,456	66.5	18,210
Accounting and treasury	-	-	-	-	1.1	352	-	-	1.1	352
Creditors and Counterparties	0.6	353	1.7	541	1.2	275	0.9	55	4.4	1,224
Intercompany	0.1	15	0.8	346	1.4	434	-	-	2.3	795
Interdependencies	0.5	393	-	-	-	-	-	-	0.5	393
Investigations	1.5	1,178	13.4	5,298	1.6	512	1.0	200	17.5	7,188
Reporting										
<b>Grand Total</b>	<b>8.6</b>	<b>6,822</b>	<b>35.5</b>	<b>14,293</b>	<b>60.2</b>	<b>18,895</b>	<b>36.1</b>	<b>6,943</b>	<b>140.4</b>	<b>46,953</b>

\* Note that the attached narrative for Statutory, accounting and other work stream, is a consolidation of the work types listed above.

## 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	Business		Specialist*
	Recovery Services	Max £/hr	
Grade			
Partner	785	Max £/hr	1,070
Director	590		1,030
Senior manager	450		810
Manager	390		590
Senior Associate	320		410
Associate / Support Staff	200		205

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

## **Asset Realisation - £2,987**

- Finalised sign off of loan book transaction, and managed movement of cash into Cherry Tree.

## **Strategy and planning - £12,018**

- Regular review of activity on the estate by PwC staff;
- Answered and directed queries from teams; and

## **Tax & VAT - £3,786**

- Preparation, finalisation and submission of pre-Appointment Corporation Tax return; and
- Preparation of the first post-Appointment Corporation Tax return.

## **Statutory, accounting and other - £28,162**

- Managed Cherry Tree Administration database;
- Prepared detailed fee summary;
- Performed fee analysis for Administrators' update;
- Analysed timesheets for completeness and accuracy;
- Dealing with statutory issues;
- Reconciliation of Bank accounts;
- Managed investment of funds on money markets; and
- Prepared Administrators' 2<sup>nd</sup> progress report.