

The Insolvency Act 1986

Administrator's progress report

Name of Company
Cherry Tree Mortgages Limited

Company number
05529374

In the
High Court of Justice, Chancery Division
[full name of court]

Court case number
8953 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, Plumtree Court, London EC4A 4HT

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

(b) Insert dates


from

to

(b) 13 April 2010

(b) 12 October 2010

Signed



Joint Administrator

Dated

10 November 2010

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

Plumtree Court, London EC4A 4HT

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



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Cherry Tree Mortgages Limited – In Administration

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

10 November 2010

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the fourth progress report prepared by the Joint Administrators (the "Administrators") of Cherry Tree Mortgages Limited (the "Company" or "Cherry Tree")

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 October 2010

Objectives of the Administration

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

The specific aims of the Administration were to

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

The specific aims of the administration have been achieved. In order to achieve the objective of the administration, the Administrators need agree creditor claims and obtain permission from Court to allow them distribute the funds in hand to unsecured creditors. This is discussed in further detail below

Outcome for 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

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 Cherry Tree 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 Cherry Tree. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage whether Cherry Tree 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

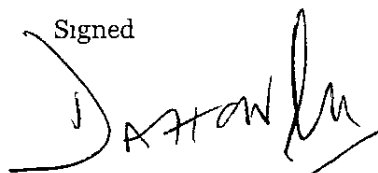
Extension of the administration

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

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

The sale of Cherry Tree's entire mortgage portfolio was completed on 30 July 2009 for total consideration of £14.2m

Outstanding matters

The only other asset is from a potential sale of tax losses attributable to the Company. The Administrators are currently seeking to determine the best method to realise any value from these losses.

Distribution to unsecured creditors

Once there is certainty that Cherry Tree is not subject to an FSD, the Administrators propose to apply to Court to request an Order to convert the administration of Cherry Tree into a distributing administration in order to allow them to pay a 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 8953 of 2008
<i>Full name</i>	Cherry Tree Mortgages Limited
<i>Trading name</i>	Cherry Tree Mortgages Limited
<i>Registered number</i>	05529374
<i>Registered address</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors</i>	CJ Patrick (resigned 28/11/08), EW Marley Shaw (resigned 28/11/08)
<i>Company secretary</i>	Clifford Chance Secretaries (CCA) Limited (resigned 01/12/08)
<i>Shareholdings held by the directors and secretary</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment</i>	13 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 directors 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 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 or 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 this Administration and wish to retain the options available to them
<i>Estimated dividend for unsecured creditors</i>	There will 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 Cherry Tree'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

Section 4 Financial Information

Administrators' remuneration

At the initial 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.

Attached at Section 6 is a summary of the Administrators' time costs for the period 1 March 2010 to 31 August 2010, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

This shows that the total time costs for the period are £68,775, which represents 249.9 hours at an average hourly rate of £275.16, bringing total time costs from 13 October 2008 to 31 August 2010 to £400,983.

Time cost analyses covering the period 13 October 2008 to 28 February 2010 have been provided previously.

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

	As at 12 October 2010 GBP (£)	Movements GBP (£)	As at 12 April 2010 GBP (£)
Receipts			
Loan from affiliate	-	(1,601)	1,601
Sale of mortgage portfolio	14,201,068	-	14,201,068
Interest received gross	44,879	27,542	17,337
Receipts Grand Totals	14,245,947	25,941	14,220,006
Payments			
Statutory costs	1,374	-	1,374
Legal fees	29,587	2,033	27,554
Joint administrators remuneration	317,317	-	317,317
VAT paid	52,365	356	52,009
Payments Grand Totals	400,643	2,389	398,254
Net Position	13,845,304	23,552	13,821,752
Cash Balances			
HSBC	100,595	(7,233)	107,828
Money market deposits	13,744,709	30,785	13,713,924
Total Cash	13,845,304	23,552	13,821,752

Section 6 Joint Administrators' time costs for the period 1 March 2010 to 31 August 2010

Classification of work	Partner / Director	Senior Manager / Manager	Senior Associate	Associate / Support staff	Total
	Hrs	£	Hrs	£	Hrs
Asset Realisations	3 0	2 361	2 9	926	5 9
Strategy and Planning			8 6	2,779	17 4
Tax & VAT			5 0	318	5 9
Statutory accounting and other					
Accounting and Treasury			28 8	10 764	119 2
Creditors and Counterparties			0 5	122	4 2
Interdependencies			10 9	2,943	40 2
Reporting			8 7	3,507	23 2
Investigations					0 3
LBL recharges	0 1	98	8 5	3,085	12 2
					2,834
					31 1
					6,150
					1,522
					24 3
					1 4
					0 3
					12 8
					1 340
					9,312
					249 9
					68,775
Grand Total	3 1	2,459	71 0	25,558	105 9
					31,446
					69 9
					9,312
					249 9
					68,775

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

Current charge out rates	Business Recovery Services	Specialist*	
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	

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.

Costs to date
(£)

Narrative of the Joint Administrators' time costs for the period 1 March 2010 to 31 August 2010

Asset realisation - £3,289

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

Strategy and planning - £6,176

- Regular review of activity on the estate by PwC staff,
- Preparing and reviewing documentation in respect of Court application to distribute,
- Answered and directed queries from teams, and
- Apply to Court for an extension to the Administration

Tax & VAT - £2,058

- Preparation, finalisation and submission of post-appointment Corporation Tax returns, and
- VAT reconciliation and preparation of VAT returns

Statutory, accounting and other - £49,895

- Manage Cherry Tree Administration database,
- Prepare detailed fee summary,
- Fee analysis for Administrators' update,
- Analyse timesheets for completeness and accuracy,
- Prepare receipts and payments account,
- Dealing with statutory issues,
- Reconciliation of Bank accounts,
- Managed investment of funds on money markets, and
- Preparation of Administrators' progress report

LBL recharges - £7,357

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