

The Insolvency Act 1986

Administrators' 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, 7 More London Riverside, London, SE1 2RT

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 2011

Signed



Joint Administrator

Dated

11 November 2011

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

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Cherry Tree Mortgages Limited – In Administration

Joint Administrators' progress
report for the period 13 April 2011 to
12 October 2011

11 November 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the sixth 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 2011

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

These specific aims have been achieved and the Administrators have been considering the most beneficial exit route from the administration which is discussed in more detail below

Outcome for creditors

As previously advised, 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 "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

As the FSD legal process has not yet been completed, the Administrators are not certain at this stage that Cherry Tree will not have liability under an FSD

The Administrators currently consider that the exit route most likely to give the best result to creditors is to make an application to Court for permission to make a distribution to creditors and to proceed to have the Company dissolved once the distribution has been made

However, given the ongoing pension matter, the timing of the initial dividend to creditors remains uncertain. The most appropriate strategy is for the Company to remain in administration for the time being

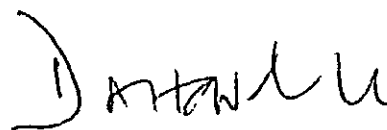
Extension of the administration

On the application of the Administrators, the High Court recently 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
Cherry Tree Mortgages Limited

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of Cherry Tree Mortgages 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 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

On 11 October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc ("LBHI"), which will become effective when LBHI's Plan of Reorganisation is approved by the court and itself becomes effective. Pursuant to this agreement LBHI has agreed Cherry Tree's creditor claim in the sum of \$1.2m

The timing and quantum of any recoveries from LBHI and other intercompany receivables remains uncertain

Outstanding matters

It was previously reported that there was a possibility that realisations could be made in respect of the sale of tax losses. Following further investigation, it now appears unlikely that Cherry Tree will realise any significant benefit from its tax losses.

Distribution to unsecured creditors

Once there is certainty that Cherry Tree is not subject to a liability under 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 Schwarzmunn, 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 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>	The current joint administrators are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmunn 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>	The first extension was granted by the High Court of Justice until 30 November 2010. A second extension was granted by the High Court of Justice until 30 November 2011. A third extension has now 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 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>	Not applicable 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 applies 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.

Time cost information to 28 February 2011 was provided in our previous report. Enclosed at Section 6 of this report is a summary of the Administrators' time costs for the period 1 March 2011 to 12 October 2011, presented in accordance with the Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 March 2011 to 12 October 2011 total £73,624, which represents 228.2 hours at an average hourly rate of £323.

To date, remuneration of £429,273 plus VAT, for the period 13 October 2008 to 30 June 2011 has been drawn.

Receipts and payments account

Set out overleaf is a receipts and payments account for Cherry Tree. In the period, gross interest of £31k has been realised.

Section 5 Receipts and Payments Account

	As at 12 October 2011 GBP (£)	As at 12 April 2011 GBP (£)	Movements GBP (£)
Receipts			
Sale of mortgage portfolio	14,201,068	14,201,068	-
Tax function costs recharged	29,590	29,590	-
Interest received gross	105,943	75,090	30,853
Total Receipts	14,336,601	14,305,748	30,853
Payments			
Legal fees	37,743	31,842	5,901
Employee costs	753	-	753
Joint administrators' remuneration	429,273	317,317	111,956
Statutory costs	1,374	1,374	-
VAT paid	73,062	52,816	20,246
Total Payments	542,205	403,349	138,856
Net Position	13,794,396	13,902,399	(108,003)
Cash Balances			
HSBC (non-interest bearing)	68,214	107,479	(39,265)
Money Market	13,726,182	13,794,920	(68,738)
Total Cash	13,794,396	13,902,399	(108,003)

Section 6 Joint Administrators' time costs for the period 1 March 2011 to 12 October 2011

Classification of work	Partner / Director		Senior Manager / Manager		Senior Associate		Associate / Support staff		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Accounting and Treasury	-	-	15.0	6,307	31.0	9,495	29.1	6,101	75.1	21,903
Strategy and Planning	4.3	3,674	19.1	8,631	26.4	8,624	20.7	4,362	70.5	25,291
Realisation of assets	-	-	4.1	1,927	-	-	-	-	4.1	1,927
Creditors	-	-	0.3	141	1.3	314	-	-	1.6	455
Tax and VAT	3.8	3,463	8.7	4,583	1.1	338	5.8	1,138	19.4	9,522
Statutory and Compliance	-	-	-	-	0.6	145	7.3	1,570	7.9	1,715
Reporting	-	-	2.0	940	14.9	4,439	23.7	4,977	40.6	10,356
LBL recharges	0.2	100	4.2	1,510	3.0	635	1.6	210	9.0	2,455
Grand Total	8.3	7,237	53.4	24,039	78.3	23,990	88.2	18,358	228.2	73,624

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 (£)
Total		2

Current charge out rates	Business		Specialist*
	Recovery Services	Max £/hr	
Partner	800	980	
Director	610	830	
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 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 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. In line with PricewaterhouseCoopers LLP's annual review of charge out rates, a 5% inflationary increase is being applied. This increase has not yet been reflected in the above figures as the requisite approval has not yet been obtained from the creditors committee of Lehman Brothers International (Europe). If approval is obtained, the increase will be effective from 1 July 2011.

***Narrative of the Joint Administrators' time costs for the period
1 March 2011 to 12 October 2011***

Accounting and Treasury - £21,903

- Managing funds in various institutions in order to mitigate risk,
- Dealing funds on the money markets and inputting deals,
- Prepare receipts and payments account,
- Reconciliation of bank accounts, and
- Arranging receipts and payments of funds and coding of movements

Strategy and planning - £25,291

- Reviewing financial information,
- Analyse timesheets for completeness and accuracy,
- Discussions with advisors regarding pension claims, and
- Regular reviews of activity on the estate by PwC staff

Realisation of assets - £1,927

- Reviewing sale of tax loss position

Creditors - £455

- Reviewing correspondence from creditors.

Tax & VAT - £9,522

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

Statutory and Compliance - £1,715

- Preparation of reports for court extension of administration,
- Fee analysis for Administrators' update,
- Dealing with statutory issues, and
- Manage Cherry Tree Administration database

Reporting - £10,356

- Preparation of Administrators' progress report,
- Prepare detailed fee summary;
- Fee analysis for Administrators' update,
- Reviewing financial information, and
- Updating strategy documents

LBL recharges - £2,445

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