



**To all known creditors**

9 May 2012

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

Dear Sirs

**Cherry Tree Mortgages 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 for the six months ended 12 April 2012, together with a copy of Form 2.24B.

Yours faithfully  
For and on behalf of the Company

A handwritten signature in black ink, appearing to read 'DA Howell', written over a horizontal line.

DA Howell  
Joint Administrator

*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.*

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**PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT**  
**T: +44 (0) 207 583 5000, F: +44 (0) 207 822 4652, [www.pwc.co.uk](http://www.pwc.co.uk)**

The Insolvency Act 1986

**Administrators' progress report**

Name of Company Cherry Tree Mortgages Limited	Company number 05529374
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In the High Court of Justice, Chancery Division	Court case number 8953 of 2008
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(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

from

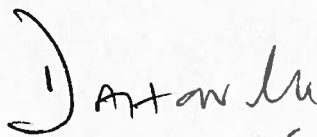
to

(b) Insert dates

(b) 13 October 2011

(b) 12 April 2012

Signed



Joint Administrator

Dated

9 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

Companies House receipt date barcode

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 October 2011  
to 12 April 2012

9 May 2012

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# Section 1 Purpose of the Joint Administrators' progress report

## Introduction

This is the seventh 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 April 2012.

## 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 (the "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.

In September 2010 the Pensions Regulator's Determinations Panel (the "Panel") decided that an FSD should be issued against six Lehman group entities. Cherry Tree 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 Cherry Tree) should also be subject to an FSD. This means that Cherry Tree is still at risk from this potential liability.

Cherry Tree (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 now no longer possible for the Regulator to impose an FSD against Cherry Tree. 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 Cherry Tree 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.

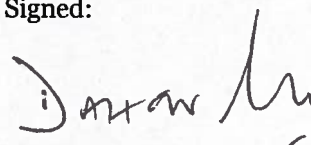
## Extension of the administration

On the application of the Administrators, the High Court granted an Order to 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

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## ***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 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 the Administrators agreed in principle the claim of LBHI against Cherry Tree at \$1.2m.

### ***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 Schwarzmman, 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 Schwarzmman 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 was 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.
<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.

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## ***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 12 October 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 October 2011 to 29 February 2012, presented in accordance with the Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 October 2011 to 29 February 2012 total £31,498, which represents 109.31 hours at an average hourly rate of £288.15.

To date, remuneration of £479,594 plus VAT, in respect of the time costs incurred in the period 13 October 2008 to 31 December 2011 has been drawn.

### ***Rate increase***

The first increase to rates since appointment has been put in place with effect from 1 January 2012. Details of increased rates are set out in Section 6.

### ***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 April 2012 GBP (£)	As at 12 October 2011 GBP (£)	Movements GBP (£)
<b>Receipts</b>			
Sale of mortgage portfolio	14,201,068	14,201,068	-
Tax function costs recharged	29,710	29,590	120
Interest recieved gross	131,694	105,943	25,751
<b>Total Receipts</b>	<b>14,362,472</b>	<b>14,336,601</b>	<b>25,871</b>
<b>Payments</b>			
Legal fees	42,936	37,743	5,193
Employee costs	1,468	753	715
Joint Administrators' remuneration	479,594	429,273	50,321
Statutory advertising	1,374	1,374	-
VAT Paid	82,822	73,062	9,760
<b>Total Payments</b>	<b>608,194</b>	<b>542,205</b>	<b>65,989</b>
<b>Net Position</b>	<b>13,754,278</b>	<b>13,794,396</b>	<b>(40,118)</b>
<b>Cash Balances</b>			
HSBC (non-interest bearing)	107,345	68,214	39,131
Money Market	13,646,933	13,726,182	(79,249)
<b>Total Cash</b>	<b>13,754,278</b>	<b>13,794,396</b>	<b>(40,118)</b>

## Section 6 Joint Administrators' time costs for the period 1 October 2011 to 29 February 2012

Classification of work	Partner / Director	Senior Manager / Manager	Senior Associate	Associate / Support	Total
	Hrs	Hrs	Hrs	Hrs	Hrs
	£	£	£	£	£
Accounting and Treasury	-	3,705	14.50	16.00	39.60
Strategy and Planning	-	2,609	15.60	2.40	25.40
Creditors	1.10	-	1.30	-	1.30
Tax and VAT	-	-	1.30	3.90	6.90
Statutory and Compliance	-	899	31.20	-	32.90
LBL recharges	0.06	471	1.17	0.74	3.21
Grand Total	1.16	919	65.07	23.04	109.31
					31,498

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 (£)	
-	-
2	2
2	2

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

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## ***Narrative of the Joint Administrators' time costs for the period 1 October 2011 to 29 February 2012***

### ***Accounting and Treasury - £11,099***

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

### ***Strategy and planning - £8,226***

- Reviewing financial information;
- Analyse timesheets for completeness and accuracy;
- Discussions with advisors regarding pension claims;
- Regular reviews of activity on the estate by PwC staff;
- Prepare detailed fee summary;
- Fee analysis for Administrators' update;
- Reviewing financial information; and
- Updating strategy documents.

### ***Creditors - £429***

- Agreeing claim in principle of LBHI; and
- Plan of Reorganisation agreement.

### ***Tax and VAT - £2,100***

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

### ***Statutory and Compliance - £8,709***

- Preparation of reports for court extension of administration;
- Preparation of Administrators' sixth progress report;
- Dealing with statutory issues; and
- Manage Cherry Tree Administration database.

### ***LBL recharges - £935***

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