

2.24B

The Insolvency Act 1986

Administrator's progress report

Name of Company Groundwork Community Forests North East Development Limited	Company number 03327239
In the Durham County Court (full name of court)	Court case number 40 of 2008

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

I/We (a)
John Twizell
Geoffrey Martin & Co
St James's House
28 Park Place
Leeds
LS1 2SP

Geoffrey Martin
Geoffrey Martin & Co
St James's House
28 Park Place
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administrator(s) of the above company attach a progress report for the period

From

To

(b) Insert date

(b) 27 November 2008

(b) 26 May 2009

Signed

Joint / Administrator(s)

Dated

[Signature]
25 June 2009

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

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27/06/2009

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COMPANIES HOUSE

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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Dominic Wolski

25 June 2009

Dear Sirs

**Groundwork Community Forests North East Development Limited
(formerly Groundwork Community Forests Development Company Limited,
formerly North East Community Forests Development Company Limited,
formerly Tees Forest Development Company Limited,
formerly Tees Valley Forest Development Company Limited)
("the Company") (In Administration)**

I write to provide a report to creditors on the progress of the Administration pursuant to Rule 2.47 of the Insolvency Rules 1986 ("the Rules").

This report should be read in conjunction with my report dated 19 January 2009 prepared pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act").

The information that is required to be disclosed in accordance with Rule 2.47(a) to (c) of the Rules is attached as appendix A.

Executive summary

The Estimated Outcome Statement ("EOS") updated to 26 May 2009 is attached as appendix B, together with supporting notes.

The EOS shows that the prospect of a distribution to unsecured creditors remains dependent upon the level of sales proceeds derived from the Company's land holdings; such realisations being surrounded by uncertainty due to various differing claims to the land holdings. Due to this uncertainty I have not reflected any future potential realisations in respect of these land holdings in the EOS; nor have I included any realisations which may result from my investigations into the conduct of the Company's affairs prior to my appointment.

Administrators' proposals

My proposals for achieving the purposes of the Administration, as detailed in my report to creditors dated 19 January 2009, were unanimously accepted by all of the creditors present or represented at the meeting of creditors held in accordance with Paragraph 51 of Schedule B1 of the Insolvency Act 1986 on 3 February 2009. A Creditors Committee was not formed.

I set out below the key developments in the Administration since my last report and highlight the outstanding matters.



1. Land holdings

The Group's books and records (and affirmed by the directors Statement of Affairs) indicated that the Company owned two land holdings at the date of my appointment. The directors attributed a £nil estimated to realise value on these land holdings to reflect their view of the impact of the various Section 106 agreements, liens, restrictions and covenants against these land holdings.

I have since determined that legal title to two further land holdings are held by the Company, following my lengthy investigations into the various Group's land holdings with the assistance of the Company's solicitors, Mincoff Jacksons, together with my valuation and forestry agents, GVA Grimley. Prior to my appointment it was believed that legal title to these two land holdings was held by another Group company, namely Community Forests North East (Trading) Limited ("Trading") (In Administration).

Accordingly, I have concluded that the land holdings held by, or where the Company has an interest, are plots known as; Ouston Moor, Stockton-on Tees; Merrybent, Darlington; Red House Farm, West Stockton and Skerningham, Darlington. The book value of these four land holdings as at the date of my appointment was shown to be £348,000.

The land holdings have been marketed extensively by GVA Grimley, with best and final offers requested for 29 May 2009. After clarification of a number of offers received, I have (not surprisingly) accepted the best offer received, following a recommendation by GVA Grimley. I have instructed Mincoff Jacksons to proceed to exchange contracts and complete a sale within the shortest reasonable timescale given the nature and complexities of the various land holdings and the on-going maintenance costs of the land.

I have not ascribed an actual valuation to the land holdings for the purpose of this EOS as I do not wish to prejudice the ongoing sales contract or the realisations ultimately to be achieved. In addition, I have received a number of proprietary claims to the land holdings; see section 2 below.

In the meantime, I have been obliged to manage and maintain these land holdings, with the assistance of my agents, and have sought grant aid wherever appropriate to mitigate these costs.

2. Berkeley Applegate Order

I received a letter from Entrust (the regulatory body for the Landfill Community Fund) in January 2009 claiming that three of the Company's land holdings were purchased by donations given to the Company under the Landfill Tax Regulations. This letter confirmed telephone representations made to my team since shortly after my appointment. In essence, Entrust are claiming that the "donators" under the Landfill Tax Regulations may have a propriety claim over three of the Company's land holdings, and that such assets are held on trust for their benefit.

My initial investigations into Entrust's claim suggested this was a complex area of law and the lack of relevant available paperwork indicated that it would be time consuming to clarify the exact nature of these "proprietary" claims. Entrust themselves advised that they had never had an instance where an Environmental Body was subject to formal insolvency and this was "ground breaking".

I met with Entrust in March 2009 to agree a way forward. It was agreed that I would continue to maintain, market and (hopefully) ultimately sell these land holdings but hold the net proceeds after costs (as sanctioned at the creditors' meeting) pending resolution of the various parties' claims to these net proceeds.

It was also agreed that I would make an application to Court for a Berkeley Applegate Order to protect the Administration's position on costs. This is to ensure that costs, which are now significant are properly apportioned to "trust" and "non trust" assets, rather than just Company assets, should these trust claims prove successful.



The preparation of a Witness Statement in support of the Application has itself involved considerable research and investigation of the Group's affairs, but the Application was served on Entrust and four separate "donators" on 11 June 2009. I had hoped that Entrust would provide a simple consent to the Application, but they have requested an adjournment to consider their position further. The hearing for the Order is now scheduled for Friday 26 June 2009.

I would emphasise that this first hearing is to obtain an Order to protect the position on costs; it is not to determine who has valid title to the various land holdings. This determination of title issue will involve further detailed investigation and consideration of complex legal issues and no doubt the various interested parties involved will seek to make their own representations which will need to be properly addressed. Accordingly, at this point, I am unable to form a view as to who has valid title to these land holdings. The process of resolving valid legal title is likely to take some considerable time.

3. Inter-group debtor

The Company's management accounts as at the date of my appointment show that Trading owes £75,759.

The build up of this inter-group balance appears to be through normal trading activities and various recharges. I would emphasise that I have not undertaken a detailed investigation into this balance. However, as Joint Administrator of both Trading and Developments, I am aware of potentially significant misapplications within the Group companies' individual balance sheets, such as the incorrect identification of legal title to two of the land holdings mentioned above. It is highly likely therefore, that a re-allocation exercise will be required to correct these previous misapplications.

The return to creditors from Trading is also dependent on the sales proceeds of its land holdings, together with any potential realisations following my investigations into the Group's affairs prior to my appointment.

Thus, in preparation of the EOS, I have assumed a £nil dividend from Trading to reflect the inherent uncertainty of the above issues, pending further and better information.

4. Investigations into the affairs of the Company and the Group

As reported previously, following a high level review of the Group's financial affairs, a number of corporate governance issues have come to light. For example, it would appear that the Group has not accounted separately for restricted and unrestricted funds; at the date of my appointment the Group operated one bank account in the name of the Company, which held a little over £750.

In line with the proposals passed at the creditors meeting, I have continued to collate information from various sources and stakeholders in respect of these issues to enable me to assess whether there are any actions which may be taken to recover monies to the Company.

This information will also form a major element of my confidential report to the DTI, under the Company Directors Disqualification Act 1986.

It should be noted that I have not reflected any future potential realisations in respect of any investigations into the conduct of the Company and Group prior to my appointment in the EOS.

5. Receipts and payments account

I attach at appendix C an abstract of the Joint Administrators' receipts and payments account for the period 27 November 2008 to 26 May 2009 in accordance with Rule 2.47(2) of the Rules.



6. Estimated outcome for creditors

The Estimated Outcome Statement updated to 26 May 2009 is attached as appendix B.

6.1 Outcome for preferential creditors and floating charge holders

There are no preferential creditors or floating charge holders in this matter.

6.2 Outcome to unsecured creditors

Following the introduction of certain provisions of the Enterprise Act 2003 in September 2003, I am obliged to consider setting aside a proportion of funds for the benefit of unsecured creditors ("the Prescribed Part"). However, given that there are no secured creditors who hold a floating charge over the assets of the Company, this provision of the Enterprise Act 2003, is not applicable.

The outcome to unsecured creditors is dependent upon the level of sales proceeds achieved from the land holdings to which the Company has valid title, together with any realisations that may ultimately be achieved following further investigations into the conduct of the Company and Group prior to my appointment. Both these matters are likely to take some considerable time before a conclusion is reached and an outcome known.

7. Joint Administrator's costs

At the initial meeting of creditors held on 3 February 2009, creditors resolved that my firm's remuneration for acting as Joint Administrators be fixed by reference to time costs incurred and that my firm is authorised to draw disbursements in accordance with the terms of our disbursements policy as circulated.

Details of my firm's time costs to 26 May 2009 are shown as appendix D. I provide the information in this format as recommended by the provisions of Statement of Insolvency Practice 9. A detailed guide to fees can be downloaded from the Insolvency Practitioners website at www.insolvency-practitioners.org.uk.

To date I have not raised any invoices in respect of my firm's outstanding time costs.

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If creditors have any queries about the contents of this report or any other matter relating to this case, please contact either of my colleagues, John Birkinshaw or Dominic Wolski, at the above office.

Yours faithfully

For and on behalf of Groundwork Community Forests North East Development Limited

John Twizell

Joint Administrator
Acting as agent of the Company
and contracting without personal liability

Encs.

John Twizell is licensed by the Institute of Chartered Accountants in England and Wales
Geoffrey Martin is licensed by the Insolvency Practitioners Association