

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
Leeds District Registry
(formerly Durham County Court)

(full name of court)

Court case number

1680 of 2009
(formerly 40 of 2008)(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
John Twizell
Geoffrey Martin & Co
St Andrew House
119-121 The Headrow
Leeds
LS1 5JWGeoffrey Martin
Geoffrey Martin & Co
St Andrew House
119-121 The Headrow
Leeds
LS1 5JW

administrator(s) of the above company attach a progress report for the period

From

To

(b) Insert date

(b) 27 May 2010

(b) 24 November 2010

Signed

Joint / Administrator(s)

Dated

24 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

John Twizell
Geoffrey Martin & Co
St Andrew House
119-121 The Headrow
Leeds
LS1 5JW

DX Number

0113 2445141
DX Exchange

THURSDAY



AAQPWPEY

A08

25/11/2010

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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



GEOFFREY
MARTIN
& CO

4th Floor
St Andrew House
119-121 The Headrow
Leeds LS1 5JW

Telephone 0113 244 5141
Fax 0113 242 3851
DX 14072

E-Mail info@geoffreymartin.co.uk
www.geoffreymartin.co.uk

when telephoning please
ask for—

Dominic Wolski

24 November 2010

To all creditors

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)
Leeds District Registry Court case no: 1680 of 2009
(formerly Durham County Court case no: 40 of 2008)

I write to provide a final report to creditors on the conduct of the Administration pursuant to Rule 2.110 of the Insolvency Rules 1986 ("the Rules")

This report describes the position at 24 November 2010 and covers the key issues in the conduct of the Administration for the period 27 May 2010 to 24 November 2010. This report should be read in conjunction with my report prepared pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 ("the Act") dated 19 January 2009, together with my report on the outcome of the Paragraph 51 meeting dated 9 February 2009 and my progress reports to creditors prepared pursuant to Rule 2.47 of the Rules dated 25 June 2009, 23 December 2009 and 22 June 2010.

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

Executive summary

The Final Outcome Statement ("FOS") updated to 24 November 2010 is attached as appendix B, together with supporting notes.

No funds have become available to enable a distribution to the unsecured creditors. This is due predominantly to the significant level of costs I have been obliged to incur in addressing the various Court applications driven by ENTRUST. Indeed, realisations have been insufficient to cover the professional costs of the Administration in full.

The Administration has served its purpose and is now complete. Accordingly, I have now ceased to act as Joint Administrator. The Company will be formally dissolved in approximately 3 months time. I refer you to section 9 below for full details.



Summary of Administrators' proposals

My proposals for achieving the purposes of the Administration 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. The primary objective was to achieve a better realisation for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration). A Creditors Committee was not formed.

I enclose as appendix E a copy of my formal proposals.

1. Land-holdings and grants

1.1 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 determined that the Company held legal title to two further land-holdings, following lengthy investigations into the Group's various land-holdings with the assistance of the Company's solicitors, Jacksons, my specialist forestry agent and my property agents, GVA Grimley. Prior to my investigations, 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").

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

The Company's land-holdings, together with three "similar in nature" land-holdings owned by Trading, were marketed extensively by GVA Grimley during the Spring of 2009. Best and final offers were requested for 29 May 2009. After clarification of a number of offers received, I accepted the best offer, based on the recommendation by GVA Grimley on 3 June 2009. This best offer was £325,000 for all seven land-holdings, as a package, subject to contract. I 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 in an effort to minimise the on-going maintenance costs of the land.

The prospective purchaser carried out extensive due diligence lasting several weeks following acceptance of their offer. This due diligence revealed many legal and title issues, which we had in the main anticipated, but specifically included access to three of the land-holdings. The prospective purchaser subsequently reduced their offer to £265,000. There followed further investigations into the issues raised by the purchaser and further negotiations of the consideration. An overall consideration was agreed of £272,500 on 6 August 2009, allocated £149,500 to the Company and £123,000 to Trading. There was an agreed cut-off on the receipt of grant monies and maintenance expenditure incurred. The right to future grant monies represent a significant element of the worth of the land-holdings.

The respective solicitors agreed the terms of the sales contract and both parties were in a position to exchange during the week commencing 10 August 2009, with a proposed completion date of 3 September 2009.



I was unable to exchange contracts due to the legal proceedings described in section 2 below. There followed a significant period where the sale was simply "in limbo" until, following the dismissal of ENTRUST's Appeal by the Court of Appeal on 3 November 2009, I spoke directly to the purchaser and agreed that we should proceed to exchange and complete at the earliest opportunity. The respective solicitors were obliged to revisit the sales contract, given the time that had elapsed since the initial agreement.

We encountered a further delay in obtaining the consent of a third party who has a registered interest in the Merrybent land-holding. However, this was satisfactorily resolved and we were finally able to simultaneously exchange and complete a sale of the Company's land-holdings in the sum of £149,500 on the afternoon of Friday 18 December 2009.

1.2 Grants

The maintenance of the various land-holdings involved my seeking grant monies from the Rural Payments Agency ("RPA") and the Forestry Commission ("FC"). The grant application process has been tortuous, in particular with the RPA, which was hindered further due to "incorrect" applications submitted previously by the Group. Grant applications relate to both the period prior to and following my appointment as Joint Administrator.

A grant receipt from the RPA amounted to some £5,968.

In addition, the Company has received grant monies totalling £20,403 from the FC.

2. Berkeley Applegate Order / Court of Appeal

In January 2009 I received a letter from ENTRUST (the regulatory body for the Landfill Community Fund ("LCF")) advising that three of the Company's land-holdings were purchased using donations given to the Company under the Landfill Tax Regulations. This letter confirmed telephone representations made to my team since shortly after my appointment and after ENTRUST had taken legal advice on the impact of administration. In essence, ENTRUST were claiming that the "donators" under the Landfill Tax Regulations may have a proprietary claim over three of the Company's land-holdings, that such assets were held on trust for their benefit and that any proceeds from the sale of the land-holdings must not be distributed to creditors, but be applied for purposes approved by the LCF.

My initial investigations into ENTRUST's claims suggested this was a complex area of law and the lack of relevant available paperwork (because the original purchases were several years ago) 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 at that meeting that I would continue to maintain, market and 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 at that meeting that I would make an application to Court for a Berkeley Applegate type Order to protect the Administration's position on costs. This was also to ensure that I had the ability to apportion costs between "trust" and "non trust" assets, rather than just Company assets, should these proprietary claims prove successful.

The preparation of a Witness Statement in support of the Application involved considerable research and investigation of the Group's affairs. The Application was served on ENTRUST and the four separate "donators" on 11 June 2009. I had hoped, based on my meeting with them, that ENTRUST would provide a simple consent to the Application, but they requested an adjournment to consider their position further. The hearing for the Order was re-scheduled for Friday 26 June 2009.



The Court made the requested Berkeley Applegate type Order to protect the position on costs and allocations, but provided the Respondents with a right to apply to vary the Order. CDENT, one of the "donators" made an Application to vary the Order on 4 July 2009, effectively seeking to prevent the sale of the land-holdings and deny the Administrators the ability of taking the costs of maintaining and realising the land-holdings from the sales proceeds. I believe that CDENT may have been encouraged by ENTRUST to make this Application.

I was therefore obliged to make a Cross-Application for directions seeking the ability to exchange and complete the sale of the relevant land-holdings and for the ability to draw the appropriate Administration costs. This application was heard on 3 August 2009.

The Court handed down its judgement on 21 August 2009 as follows -

- CDENT's application was dismissed,
- the Administrators were authorised to exchange sale contracts for the relevant land-holdings,
- the proceeds of the sale of the land-holdings were to be regarded as an asset of the Company (thus dismissing any proprietary or trust claim), and
- the Administrators' costs may be drawn as an expense of the Administration.

The Court stayed the judgement for seven days giving the Respondents and ENTRUST (who were not represented at the hearing) the opportunity to appeal. ENTRUST appealed the decision to the Court of Appeal.

Due to the lack of funds within the Administration, I was obliged to enter into Conditional Fee Agreements ("CFA") with both my solicitors and Counsel to enable me to address this Appeal. This was a particularly worrying time. I had already incurred significant direct cost in maintaining the land-holdings and professional cost in marketing and agreeing a complex sale of the land-holdings and ENTRUST were directly challenging my right to meet these costs from the realisations. I had no other means of meeting these costs.

An expedited hearing was set for 3 November 2009. ENTRUST's appeal was dismissed by the Court of Appeal verbally on 3 November 2009, with formal judgement handed down on 12 November 2009.

The Court of Appeal awarded indemnity costs against ENTRUST and my solicitors and Counsel were required to negotiate the sums involved. These negotiations concluded with ENTRUST agreeing to pay a contribution to our legal costs of £72,298. The shortfalls on the fee settlements reverted to the Company. It should be noted that the indemnity costs awarded did not cover the Joint Administrators' time costs, nor the legal cost involved with the earlier Court hearings and investigations.

There have been significant shortfalls in meeting the respective professional costs of the Company and also Trading, as a result of the ENTRUST failed legal actions.

3. Inter-Group debtors

The Company's management accounts as at the date of my appointment show that Trading owes £75,759. This was discussed in detail in my earlier reports.

There will be no return to creditors from the Administration of Trading (or indeed the Company and Charity's respective Administrations). Accordingly, I shall not be undertaking any detailed investigations into the inter-company account balances.



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

Following a high level review of the Group's financial affairs, a number of corporate governance issues came to light. I would stress that all issues relate to the period before July 2008, namely before the "takeover" by Groundworks.

I consider that there are a number of potential areas requiring further investigation. However, there are now no funds available in this Administration to meet the costs of such investigations, nor the costs of instigating any potential legal action of recovery. In my earlier update reports, I asked that if any creditor(s) wished to provide funds to continue these investigations they should contact me to discuss further. No creditor has contacted me. No further investigations will therefore take place.

I have submitted a confidential report to the DTI on the conduct of the directors in accordance with the Insolvent Companies (Reports on Conduct of Directors) Rules 1996 and the Company Directors Disqualification Act 1986.

5. Corporation Tax returns

I engaged Clive Owen & Co to prepare and submit Corporation Tax returns covering the Administration period and the sale of the Land. No capital gains tax liability arose. A Corporation Tax liability of £6.44 arose and has been duly paid.

6. 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 24 November 2010 and 27 May 2010 to 24 November 2010 in accordance with Rule 2.47(2) of the Rules.

None of the asset realisations dealt with therein (and as described in the preceding sections of this report) arose from sales to any person connected with the Company, or the Group, prior to Administration.

7. Outcome for creditors

The Final Outcome Statement ("FOS") updated to 24 November 2010 is attached at appendix B.

7.1 Outcome to preferential creditors and floating chargeholders

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

7.2 Outcome to unsecured creditors

The 'Prescribed Part' provisions of Section 176A of the Act do not apply to the Company as there is no floating chargeholder.

No funds have become available to unsecured creditors.



8. Joint Administrators' 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 19 November 2010 total £150,450 and are detailed in 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 (click on 'Regulation and Guidance', select 'Creditors Guides to Fees' and choose 'Administration (pre 6 April 2010)' from the England & Wales list)

Due to insufficient realisations, I have been obliged to allocate the monies available within the Administration on an equitable basis between the respective professional and realisation agents, namely my solicitors, Jacksons and Gordons, my land agents, GVA Grimleys, my specialist forestry agent and my firm

I have drawn fees on account of my firm's time costs of £99,677 (plus VAT). I have been obliged to write off a significant proportion of my firm's costs, due to the limited funds available in the Administration

My firm has drawn fees of £2,086.50 (plus VAT) and disbursements in respect of our work undertaken in the period immediately prior to Administration, as detailed in our proposals and agreed by creditors

Appendix D also contains further details of the firm's current charging and disbursements policy

9. Termination of the Administration and dissolution

The Administration is now complete and the objective of the Administration as defined by Paragraph 3(1) of Schedule B1 of the Insolvency Act 1986 ("the Act") has been sufficiently achieved

I enclose as appendix F, Form 2.35B, notice of the 'end of administration'. My partner, Geoffrey Martin and myself have now ceased to act as Joint Administrators and have been discharged from liability in accordance with Paragraph 98 of Schedule B1 of the Act. I should also advise that in line with my proposals I have applied Paragraph 84 of Schedule B1 of the Act and the Company will be dissolved 3 months after the filing of the above form

The Company's books and records in my possession will be held in storage until the expiration of a period of one year from the date of dissolution, at which time all records will be destroyed, in accordance with The Insolvency (Amendment) Regulations 2005

I would advise that Trading and Charity's respective Administrations have also been brought to an end, in line with the Company



Should you 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 in the United Kingdom by the Institute of Chartered Accountants of England & Wales
Geoffrey Martin is licensed in the United Kingdom by the Insolvency Practitioners Association

Appendix A

Groundwork Community Forests North East Development Limited ("the Company") (In Administration)

The information which is required to be disclosed in accordance with Rule 2 47(a) to (d) of the Rules is as follows,

Court details	The Leeds High Court of Justice, Chancery Division, (formerly Durham County Court)
Court Number	Leeds District Registry number 1680 of 2009 (formerly Court case no 40 of 2008)
Registered office	St Andrew House, 119-121 The Headrow, Leeds, LS1 5JW
Registered Number	03327239
Principal activity	Management of forestry
Joint Administrator's details	John Twizell and Geoffrey Martin of Geoffrey Martin & Co, St Andrew House, 119-121 The Headrow, Leeds, LS1 5JW
Date of appointment	27 November 2008
Appointed by	The directors
Extension of Administration	An extension of the original Administration for a further twelve months (until or before 26 November 2010) was granted by the Court in accordance with Paragraph 76(2)(b) of Schedule B1 of the Act

In accordance with Paragraph 100(2) to Schedule B1 of the Insolvency Act 1986, the Joint Administrator's confirm that any act required or authorised under any enactment to be done by an Administrator may be done by either of them individually or jointly

Appendix B

Groundwork Community Forest North East Development Limited (In Administration)

Final Outcome Statement as at 24 November 2010

		Directors Statement of Affairs		
	Note	Book value 27/11/2008 £'000	Estimated to realise £'000	Final Outcome £'000
Unencumbered assets				
Land holdings	1 1	348	0	150
Less land management labour (inc irrecoverable VAT) and insurance	1 2	-	-	(5)
Add grant claim monies	1 3			26
Less balance of grant monies paid to land purchaser re maintenance	1 4			(5)
Cash at bank	2	2	2	1
Entrust legal fee contribution	1 1	-	-	72
Inter-group debtor				
C F N E (Trading) Limited	3	76	4	0
Total asset realisations		<u>426</u>	<u>6</u>	<u>239</u>
Less: professional & realisation costs	4	<u>-</u>	<u>-</u>	<u>(239)</u>
Available/(shortfall) to unsecured creditors		426	6	-
Unsecured creditors				
HMR&C - VAT	5	(4)	(4)	(6)
Inter-group creditor				
G C F N E Limited (In Admin)	6	(78)	(78)	(78)
Total unsecured creditors		<u>(82)</u>	<u>(82)</u>	<u>(84)</u>
Available/(shortfall) to unsecured creditors		<u>344</u>	<u>(76)</u>	<u>(84)</u>

The above statement should be read in conjunction with the attached notes.

Groundwork Community Forest North East Development Limited (In Administration)

Notes to Final Outcome Statement as at 24 November 2010

1 Land holdings and associated income and costs

1.1 Land-holdings

According to the books and records (and affirmed by the directors' Statement of Affairs) the Company was shown to own two land-holdings with an attributable book value of £220,000. The directors attributed a £nil estimated to realise value on these land-holdings to reflect their view of the various Section 106 agreements, liens, restrictions and covenants against same.

Following my lengthy investigations into the various land-holdings, together with the assistance of the Company's solicitors, Mincoff Jacksons, my valuation agents, GVA Grimley, and my specialist forestry agent, I determined that legal title to two further land-holdings are actually held by the Company, prior to my appointment legal title was believed to be held by Community Forests North East (Trading) Limited ("Trading") (In Administration).

The land-holdings held and where interest is held by the Company are plots known as, Ouston Moor, Redmarshall, 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 were marketed extensively by GVA Grimley, with best and finals asked for 29 May 2009. Following a recommendation by GVA Grimley to accept the best offer received in sum of £149,500, I 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 costs and responsibilities of maintenance.

I received proprietary claims from ENTRUST, the regulator of the Landfill Community Fund, on behalf of donors under the Landfill Tax Regulations against three of the land-holdings. ENTRUST initially claimed that the assets were held on trust for the donors benefit. This is a complex area of law and the lack of available paperwork made matters difficult to clarify. To protect the Administrators' position on costs I applied to Court for a Berkeley Applegate type Order. This was to ensure that costs were properly apportioned to "trust" and "non trust" assets, rather than just Company assets, should such trust claims prove successful.

The Court handed down its judgement on 21 August 2009 in favour of the Company. ENTRUST appealed the decision to the Court of Appeal. Due to the lack of funds within the Administration, I was obliged to enter into Conditional Fee Arrangements ("CFA") with both my solicitors and Counsel to enable me to address the appeal. After an expedited hearing on 3 November 2009, ENTRUST's appeal was dismissed by the Court of Appeal. The Court of Appeal awarded indemnity costs against ENTRUST and my solicitors and Counsel were required to negotiate the sums involved. Following protracted negotiations, ENTRUST paid a contribution to our legal costs of £72,298. The shortfalls on the fee settlements reverted to the Company. I would refer you to Section 2 of the main body of this report and my earlier reports for further details.

1.2 Land management labour and insurance

Throughout the period of Administration up until the sale of the land-holdings was completed, I was obliged to maintain the land.

With the assistance of my specialist forestry agent, I was obliged to engage the services of external contractors to attend to the required maintenance works. As the land-holdings have not been VAT elected, the VAT element of the contractors invoices are irrecoverable and must ultimately be borne as a cost of the Administration.

1.3 Grants

Various of the Company's land-holdings are eligible for grants from the Rural Payments Agency and/or the Forestry Commission. The grant application process and addressing overpayment issues was tortuous. Grants receivable relate to both the periods prior to and following my appointment as Joint Administrator.

Grants totalling £26,370 have been received.

1.4 Balance of grant monies paid to land purchaser

Within the terms of the land-holdings sale agreement, an agreed cut-off on the receipt of grant monies and maintenance expenditure incurred was agreed with the purchaser as been the date of the acceptance of the revised offer, 3 June 2009

At the date the sale was completed, the Company was obliged to pay to the land purchaser £4,655

2 Cash at bank

At the date of my appointment the Company held cash at bank of £767 46

3 Inter-group debtor

According to the Company's management accounts as at the date of my appointment, Trading is shown to owe £75,759

The build up of this inter-group balance appears to be through normal trading activities and various re-charges. I believe that due to the wrong identification of the legal title holder of two of the land holdings prior to my appointment, that it is highly likely that a reallocation exercise would be required to correct previous misapplications. However, as there will be no return to creditors from any of the group companies' respective Administrations, I have not undertaken any detailed investigations into the account balances

4 Professional & realisation costs

The current estimated professional costs in respect of this Administration may be summarised as follows,

	£'000
Pre-appointment insolvency advice	2 0
Joint Administrators' remuneration (limited)	99 7
Legal fees - general inc land sale (limited)	8 4
Land and forestry agents (limited)	30 9
Legal fees and counsel fees re. ENTRUST propriety claim	
- shortfall after ENTRUST's contribution (limited)	83 1
Statement of Affairs assistance to directors	0 8
Taxation advice	1 6
Statutory costs & disbursements	1 7
Irrecoverable VAT	10 4
	<u>238 6</u>

* There is an element of irrecoverable VAT on those professional fees settled specifically in relation to dealing with the land, which were not VAT elected, a cost which must ultimately be borne by the Administration

As a direct consequence of the investigations into the propriety claims, the Berkeley Applegate application and the subsequent Court of Appeal hearing, the Joint Administrators' time costs were substantially higher than originally anticipated at the outset of the Administration. It should also be noted that solicitors and Counsels fees were also substantial due to the proprietary claims and resulting Court hearings and appeal. A proportion of the solicitors and Counsel's fees incurred specifically in connection with the appeal by ENTRUST were met as a cost of ENTRUST, however the balance fell to the Company to be met as a cost of the Administration

5 HMR&C - VAT

The Company's books and records (and affirmed by the director's Statement of Affairs) show a balance of £3,584 as being outstanding to HMR&C in respect of VAT

The Company appeared to be the holder of the Group's VAT reference, despite the fact that Trading and Chanty appear to be the companies raising VAT sales invoices and suffering VAT purchase invoices

HMR&C have forwarded a claim to my office in the sum of £6,082

6 Inter-group creditor

According to the Company's management accounts as at the date of my appointment, Chanty is shown to be owed £77,875

The build up of this inter-group balance appears to be through normal trading activities and various re-charges. I believe that due to the wrong identification of the legal title holder of two of the land holdings prior to my appointment, that it is highly likely that a reallocation exercise would be required to correct previous misapplications. However, as there will be no return to creditors from any of the group companies' respective Administrations, I have not undertaken any detailed investigations into the account balances

7 General

My tax advisors, Clive Owen & Co prepared computations and submitted corporation tax returns relating to the Administration period utilising various reliefs. No capital gains tax liability arose. A Corporation Tax liability of £6.44 arose and has been duly settled.

**Groundwork Community Forests North East Development Limited
(In Administration)**

**Joint Administrators' Abstract Of Receipts And Payments
To 24 November 2010**

RECEIPTS	Total (£)
Land Holdings	149,500 00
Grant re-claim - RPA	5,967 51
Cash at Bank	767 46
Forestry Commission Grant	20,402 81
Bank Interest Gross	23 38
Entrust Legal Fee Contribution	72,298 20
Vat Control Account	25,222 65
	<hr/>
	274,182.01
PAYMENTS	
Specific Bond	345 00
Preparation of S of A	800 00
Insolvency advice	2,086 50
Joint Administrators' Fees	99,676 78
Disbursements	347 29
Category 2 Disbursements	601.90
Land Valuation Agent Fees	11,414 58
Forestry Agents Fees	19,312 75
Land Legal Fees	8,397 00
Land Legal Disbursements	219 70
Legal Fees	54,056 35
Taxation Assistance	1,581 50
Corporation Tax	6 44
VAT Irrecoverable	10,391 65
F C Grant Passed to Land Buyer	4,655 45
Land Management Labour	2,500 00
Land Management Agents Costs	625 00
Counsel's Fee	29,068 00
Storage Costs	174 28
Statutory Advertising	209 33
Insurance of Assets	2,489 86
VAT Receivable	25,222 65
	<hr/>
	274,182 01
	<hr/>
Balance	0 00
MADE UP AS FOLLOWS	
	<hr/>
	0 00
	<hr/>

Note VAT in respect of transactions relating to the land-holdings is irrecoverable

Groundwork Community Forests North East Development Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 27/05/2010 To 24/11/2010	From 27/11/2008 To 24/11/2010
ASSET REALISATIONS		
Land Holdings	NIL	149,500 00
Grant re-claim - RPA	NIL	5,967 51
Cash at Bank	NIL	767 46
Forestry Commission Grant	NIL	20,402 81
Bank Interest Gross	23 38	23 38
Entrust Legal Fee Contribution	72,298 20	72,298 20
	<u>72,321 58</u>	<u>248,959 36</u>
COST OF REALISATIONS		
Specific Bond	NIL	345 00
Preparation of S of A	NIL	800 00
Insolvency advice	NIL	2,086 50
Joint Administrators' Fees	99,676 78	99,676 78
Disbursements	NIL	347 29
Category 2 Disbursements	12 80	601 90
Land Valuation Agent Fees	4,850 00	11,414 58
Forestry Agents Fees	9,000 00	19,312 75
Land Legal Fees	897 00	8,397 00
Land Legal Disbursements	54 00	219 70
Legal Fees	24,056 35	54,056 35
Taxation Assistance	370 00	1,581 50
Corporation Tax	6 44	6 44
VAT Irrecoverable	6,256 27	10,391 65
F C Grant Passed to Land Buyer	NIL	4,655 45
Land Management Labour	NIL	2,500 00
Land Management Agents Costs	NIL	625 00
Counsel's Fee	29,068 00	29,068 00
Storage Costs	166 36	174 28
Statutory Advertising	NIL	209 33
Insurance of Assets	NIL	2,489 86
	<u>(174,414 00)</u>	<u>(248,959 36)</u>
	<u><u>(102,092.42)</u></u>	<u><u>0.00</u></u>

REPRESENTED BY

NIL

John Twizell
Joint Administrator

Note VAT in respect of transactions relating to the land-holdings is irrecoverable

Appendix D

Case Name	Groundwork Community Forests North East Development Limited
Court and Number	Leeds District Registry No 1680 of 2009
Office Holder	John Twizell and Geoffrey Martin
Firm	Geoffrey Martin & Co
Address	St Andrew House 119-121 The Headrow Leeds LS1 5JW
Telephone	0113 2445141
Reference	GROU002/JT/JB/DW
Type of Appointment	Administration
Date of Appointment	27 November 2008

CHARGING AND DISBURSEMENTS POLICY (Leeds Office)

Time Costs

The firm's hourly charge out rates are revised annually from 1 May. The rates currently in use are within the following bands

	£
Partner	325
Senior Manager	300
Manager	220 – 285
Senior Administrator	140 – 185
Junior Administrator and Support Staff	65 – 110

Disbursements

A disbursement charge relating to the recovery of overhead costs is levied at the rate of £6.75 per creditor from 1 May 2008. This sum is drawn at the outset of the case and on each anniversary thereafter and covers printing, postage, stationery, photocopying, telephone and fax usage.

Outsourced printing and/or photocopying will be charged at cost in addition to the above.

Travelling expenses are charged at the rate of 40p per mile.

GROU002 Groundwork Community Forests North

24 November 2010

SIP 9 - Time & Cost Summary

Period 27/11/08 19/11/10

Time Summary

Hours						Time Cost (£)	Average hourly rate (£)
Classification of work function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & planning	17 50	74 30	6 70	121 00	219 50	35,305 50	160 85
Investigations	7 50	14 10	0 20	13 30	35 10	7,154 50	203 83
Realisations of assets	37 40	120 90	0 30	34 40	193 00	42,448 50	219 94
Trading	0 00	0 00	0 00	0 20	0 20	22 00	110 00
Creditors	9 50	50 60	12 80	26 90	99 80	19 869 50	199 09
Case specific matters	104 90	51 50	0 30	15 10	171 80	45 849 50	265 71
Total Hours	176 80	311 40	20 30	210 90	719 40	150,449 50	209 13
Total Fees Claimed							

Appendix D (continued)

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)

The above costs have been incurred in dealing with all aspects of the Administration to 19 November 2010

Time categorised as 'Case Specific' refers to time spent in addressing the ENTRUST proprietary claim and the associated protracted legal issues

In addition to the above costs, my firm has incurred time costs totalling £2,086 50 in providing advice to the Company in connection with the making of the appointment

Overview of Administrators' time spent

I detail below the key areas of work undertaken by the Joint Administrators' and their staff in respect of this matter to date (the list is not exhaustive),

- formalising and implementing the Administration strategy,
- safeguarding the known assets of the Company,
- maintaining and managing the Company's land holdings,
- dealing with insurance related matters,
- various grant applications,
- extensive liaising with the Company's solicitors in relation to the Company's land holdings,
- extensive liaising with my valuation agents in relation to the Company's land holdings,
- developing a strategy for the disposal of assets, specifically the land holdings,
- extensive liaising with my valuation agents in request of the marketing of the land holdings and reviewing interest,
- evaluating offers received and negotiating optional sales contracts,
- meeting with the Forestry Commission,
- extensive liaising with the Rural Payments Agency,
- investigating the transferability of grants relating to the land holdings,
- liaising with other stakeholders in the Company's various land holdings,
- communications and meeting with ENTRUST,
- detailed research for the preparation of a Berkeley Applegate application,
- extensive liaising with my solicitors and counsel in respect of the Berkeley Applegate application,
- extensive liaising with my solicitors and counsel in respect of the Court of Appeal application by ENTRUST,
- preparing a detailed update report to the Court to obtain an extension of the Administration Order,
- dealing with all classes of creditors, both oral and written,
- investigations into the affairs of the Company and the Group,
- completion of returns under Company Directors Disqualification Act 1986,
- statutory requirements imposed by the Insolvency Act and Rules 1986 and insolvency bodies

Appendix D (continued)

Other professional costs of the administration

I have engaged the services of solicitors, Jacksons, valuation agents, GVA Grimley, a specialist forestry agent, solicitors, Gordons and taxation advisors, Clive Owen & Co

Jacksons were instructed to advise on all legal aspects arising prior to and during the Administration and were chosen due to their experienced knowledge of insolvency matters and property matters. Their charges were on the basis of time properly spent in advising on the various issues of this matter.

GVA Grimley were instructed to provide valuation advice in respect of the Company's land interests. Their charges were on the basis of time properly spent in attending to the above issues and 2.5% sales commission based on the land sales proceeds.

A specialist forestry agent was instructed to provide specific advice in respect of the Company's land interests, to assist generally in the marketing of the land-holdings, to assist in the ongoing management and control of land-holdings, to assist in grant applications and liaise with the Forestry Commission and the Rural Payments Agency. The forestry agent's charges were on the basis of time properly spent in attending to the above issues.

Gordons were instructed to advise specifically on legal aspects arising in respect of section 106 agreements, monies held in escrow, obtaining the Court extension to the Administration Order and other ancillary issues. Their charges were on the basis of time properly spent in advising on the various issues of this matter.

Clive Owen & Co were instructed to advise on all taxation aspects arising during the Administration. They were also engaged to assist the directors of the Company in the preparation of the Statement of Affairs as at the date of appointment. Their charges are on the basis of the time properly spent in advising and assisting on the various issues of this case.

Category 2 disbursements

These costs can be analysed as follows

	£net of VAT
Postage, stationery and telephones (@ £6.75 per creditor x 2 years annual charges)	270.00
Mileage (@ the rate of 40p per mile)	331.90
	<u>601.90</u>

Joint Administrators' proposals - ACCEPTED

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)

Statement of Joint Administrators' proposals under Paragraph 49 of Schedule B1 of the Insolvency Act 1986

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act") and Rule 2.33 (1) of The Insolvency (Amendment) Rules 1986 ("The Rules"), John Twizell and Geoffrey Martin, the Joint Administrators of the Company, ("the Joint Administrators"), make the following proposals for achieving the purposes of the Administration, following their appointment on 27 November 2008, to the creditors of the Company for consideration and, if thought fit, approval

The following proposals shall be considered at the meeting of creditors to be held at 10.00 am on Tuesday 3 February 2009 at The Aston Hotel, Newton Park, Coatham Mundeville, Darlington, DL1 3NL

Proposals

The Joint Administrators propose that

- (1) They continue to manage the business, affairs and property of the Company in order to achieve the following purposes for which the Administration was made, namely
 - achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration)
- (2) They continue to take any action they consider expedient with a view to achieving the purposes of administration detailed at (1) and in particular that they
 - (i) continue to investigate and market for sale the Company's interest in its various land holdings and complete the sales thereof on the basis of recommendations from GVA Grimleys,
 - (ii) be authorised to resolve and agree any liabilities of the Company which may relate to its various land holdings, such as but not limited to, S106 agreements, restrictions, conditions, covenants, liens etc,
 - (iii) be authorised to pursue any offers received for the remaining assets of the Company, in whole or in part, and they be further authorised to complete a sale(s) to whichever party(ies) (whatsoever) they deem appropriate to maximise realisations for creditors without further reference to creditors,
 - (iv) do all such things they may consider expedient with a view to enhance the value of the Company's assets,
 - (v) investigate and collect, as appropriate, the Company's inter-company account balances,

Appendix E (continued)

- (vi) dispose of the Company's remaining assets, if any, on such terms as they consider expedient,
 - (vii) to investigate the Company's and the Group's financial affairs and accounting and recording procedures with particular regard to, but not limited to, Corporate Governance and preserving any action which may ultimately be taken by the Company or any eventual Liquidator,
 - (viii) continue to wind down the Company's affairs in an orderly manner
- (3) They be authorised to make a distribution to any secured creditors by way of covenants, liens or restrictions in title deeds, and preferential creditors, should such classes of creditors be identified. The Company's records and affirmed by the directors' Statement of Affairs indicate that there are no secured or preferential creditors. Companies House shows that there are no secured chargeholders with fixed and/or floating charges.
- (4) If the Joint Administrators conclude that the Company has no property to permit a distribution to unsecured creditors, and when the Joint Administrators think that the purpose of Administration has been sufficiently achieved they will file a notice in accordance with Paragraph 80 of Schedule B1 of the Act. The Joint Administrators appointment shall then cease to have effect and the Joint Administrators will be discharged from liability at that time.

Alternatively, in such circumstances they shall send a notice in accordance with Paragraph 84 of the Act whereupon the Joint Administrators appointment shall cease to have effect, and the Joint Administrators will be discharged from liability at that time. The effect of this is that the Company would eventually be dissolved without any formal liquidation.

- (5) In the event that the Joint Administrators think a distribution will be made to unsecured creditors the Joint Administrators propose that either one or both of them (at their discretion) be appointed as liquidator(s) in accordance with Paragraph 83(7) of the Act and Rule 2.117(3) of The Rules. Creditors may nominate a different person as the proposed liquidator should they so wish, provided that the nomination is made after the receipt of these proposals and before these proposals are approved by creditors.
- (6) The creditors should consider establishing and if thought fit appointing a Creditors' Committee to exercise the functions conferred on it by or under the Act.
- (7) They consult with the Creditors' Committee, if formed, at appropriate intervals concerning the conduct of the Administration and the implementation and development of these proposals and where they consider it expedient obtain the sanction of that Committee on behalf of the creditors of the Company (and without further reference to them) to any proposed action on the part of the Joint Administrators.
- (8) If no Creditors' Committee is to be formed then the Joint Administrators' remuneration be fixed by reference to the time properly incurred by them and their staff in attending to matters arising in the Administration. The Joint Administrators be authorised to draw their remuneration from time to time during the period of the Administration without further recourse to creditors, as and when funds allow. The Joint Administrators will incur and shall pay such costs and expenses, including professional fees as they consider to be incidental to the achievement of the proposals outlined above or their statutory duties as and when funds allow.
- (9) The Joint Administrators be authorised to draw a disbursement charge relating to the recovery of overheads costs in accordance with their firm's current disbursements policy (appendix G).

Appendix E (continued)

- (10) That in the event that either one or both of the Joint Administrators be appointed Liquidator(s) over the Company the following resolutions be approved, namely -
- (i) that the Liquidator be authorised to pay preferential creditors (if any, and if not already paid by the Joint Administrators) in full if appropriate and any balance of funds available be distributed by way of a dividend to unsecured creditors
 - (ii) in order for the Liquidator(s) to draw fees by reference to time properly spent by the Liquidator(s) and their staff and a disbursements charge relating to the recovery of overhead costs in accordance with the firm's disbursements policy at the time, the Liquidator shall seek sanction from either the Court, the Committee, if one is formed or via a meeting of the Company's creditors
- (11) To seek an extension to the Administration period if deemed necessary by the Joint Administrators
- (12) The Joint Administrators be authorised to receive payment in the sum of £2,086 50 plus VAT and disbursements in respect of their advice provided to the Company in connection with the making of the appointment and in determining that it was reasonably likely that the purpose of the administration would be achieved
- (13) With the acceptance of these proposals creditors confirm that upon discharge of the Administration by way of whichever route applicable as set out between Paragraph 76 to 84 of Schedule B1 of the Act, the Joint Administrators is discharged from all liability incurred in respect of the Administration, in accordance with Paragraph 98(1) of Schedule B1 of the Act
- (14) That in the event that the Joint Administrators consider that the Company should be placed into Compulsory Liquidation, that they be authorised to take the necessary steps and that creditors shall be notified in accordance with the Act
- (15) In addition, they do all such other things and generally exercise all their powers as Joint Administrators as they in their discretion consider desirable or expedient in order to achieve a purpose of the Administration or protect and preserve any remaining assets of the Company or maximise realisations of those assets, or for any other purpose incidental to these proposals. Without limitation to the general powers of the Joint Administrators they shall have the power and discretion to compromise any debts or claims should, in their opinion, it be beneficial to the achievement of the proposals outlined above

John Twizell and Geoffrey Martin

Joint Administrators of Groundwork Community Forests North East Development Limited