

The Insolvency Act 1986

Administrator's progress report

| | |
|--|-----------------------------------|
| Name of Company Cherry Tree Mortgages Limited | Company number 05529374 |
| In the High Court of Justice, Chancery Division [full name of court] | Court case number 8953 of 2008 |

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

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann,
Michael John Andrew Jervis and Derek Anthony Howell of

PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT

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

(b) Insert dates

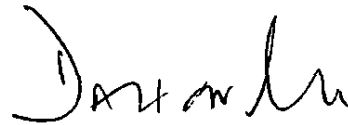
from

to

(b) 13 October 2010

(b) 12 April 2011

Signed



Joint Administrator

Dated 9 May 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

7 More London Riverside, London, SE1 2RT

Tel 0207 583 5000

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Cherry Tree Mortgages Limited – In Administration

Joint Administrators' progress
report for the period 13 October
2010 to 12 April 2011

9 May 2011

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the fifth 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 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

The specific aims of the administration have been achieved. Accordingly, 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 Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that a Financial Support Direction should not be issued against Cherry Tree. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that Cherry Tree will not have liability under an FSD. Accordingly, the Administrators have written to the trustees of the pension scheme in order to obtain clarification on

whether a liability under an FSD will fall to Cherry Tree.

Based on the quantum of claims recorded in the Company records, the Administrators anticipate that there will be funds available to allow a distribution to be made to creditors. The quantum of the distribution will be dependent on whether a liability under an FSD falls to Cherry Tree

Owing to ongoing tax and pension matters, the most appropriate strategy at this time is for the Company to remain in administration

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

Given this ongoing process, the timing of the initial dividend to creditors remains uncertain

Extension of the administration

On the application of the Administrators, the High Court made an Order to further extend the period of the Administration to 30 November 2011. In light of the outstanding pension issue, the Administrators are expecting to apply to Court for a further extension to the Administration in due course

Future reports

The Administrators will next report to creditors in approximately six months

Signed



DA Howell
Joint Administrator
Cherry Tree Mortgages Limited

Section 2 Joint Administrators' actions to date

Overview

The principal activity of Cherry Tree was investment in the equity release mortgage portfolio of More 2 Life Limited with funding that was procured from LB SF No 1

Administrators' actions to date

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

Outstanding matters

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 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 Schwarzmann, 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> | Statement of Power for the purposes of paragraph 100(2) Schedule B1 to the Insolvency Act 1986 The Directors of Cherry Tree Mortgages Limited (the "Company") have appointed Anthony Victor Lomas, Derek Anthony Howell and Dan Yoram Schwarzmann of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT as joint administrators of the Company The joint administrators will act jointly and severally so that all functions may be exercised by any or all of them Further to the appointment of MJA Jervis and SA Pearson as additional Administrators, any act required or authorised under any enactment to be done by any or all of the joint administrators may be done by one or more of the persons for that time being holding office |
| <i>Details of any extensions of the initial period of appointment:</i> | The Court has granted an extension of the Administration to 30 November 2011 |
| <i>Proposed end of the Administration.</i> | The Administrators 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> | There is no prescribed part 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 does apply to this Administration and these are the main proceedings |

Section 4 Financial Information

Administrators' remuneration

At the initial meeting of creditors which was held by correspondence on 22 May 2009, creditors resolved that the Administrators' remuneration be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration from time to time.

Enclosed at Section 6 is a summary of the Administrators' time costs for the period 1 September 2010 to 28 February 2011, presented in accordance with Statement of Insolvency Practice 9, together with a narrative of the work performed.

Time costs for the period 1 September 2010 to 28 February 2011 total £36,038, which represents 103.9 hours at an average hourly rate of £346.85.

To date, remuneration of £317,317 plus VAT, for the period 13 October 2008 to 31 December 2009, has been drawn for which time cost information has been provided in accordance with Statement of Insolvency Practice 9 in previous reports.

Receipts and payments account

Set out overleaf is a receipts and payments account for Cherry Tree. In the period, tax function costs of £30k have been recharged. The recharges are a reallocation of costs incurred by a centralised tax team. Gross interest of £30k has also been realised.

Section 5 Receipts and Payments Account

| | As at 12 April 2011 GBP (£) | Movements GBP (£) | As at 12 October 2010 GBP (£) |
|------------------------------------|--------------------------------|----------------------|----------------------------------|
| Receipts | | | |
| Sale of mortgage portfolio | 14,201,068 | - | 14,201,068 |
| Tax function costs recharged | 29,590 | 29,590 | - |
| Interest received gross | 75,090 | 30,211 | 44,879 |
| Total Receipts | 14,305,748 | 59,801 | 14,245,947 |
| Payments | | | |
| Legal fees | 31,842 | 2,255 | 29,587 |
| Joint administrators' remuneration | 317,317 | - | 317,317 |
| Statutory costs | 1,374 | - | 1,374 |
| VAT paid | 52,816 | 451 | 52,365 |
| Total Payments | 403,349 | 2,706 | 400,643 |
| Net Position | 13,902,399 | 57,095 | 13,845,304 |
| Cash Balances | | | |
| HSBC | 107,479 | 6,884 | 100,595 |
| Money Market | 13,794,920 | 50,211 | 13,744,709 |
| Total Cash | 13,902,399 | 57,095 | 13,845,304 |

Section 6 Joint Administrators' time costs for the period 1 September 2010 to 28 February 2011

| Classification of work | Partner / Director | | Senior Manager / Manager | | Senior Associate | | Associate / Support staff | | Total | |
|-------------------------|--------------------|--------------|--------------------------|---------------|------------------|---------------|---------------------------|--------------|--------------|---------------|
| | Hrs | £ | Hrs | £ | Hrs | £ | Hrs | £ | Hrs | £ |
| Strategy and Planning | 2.5 | 2,000 | 9.2 | 3,636 | 2.7 | 866 | - | - | 14.4 | 6,502 |
| Tax & VAT | 0.5 | 490 | 4.3 | 2,458 | 0.2 | 49 | - | - | 5.0 | 2,997 |
| Accounting and Treasury | - | - | 18.2 | 7,978 | 17.3 | 5,203 | 16.7 | 3,496 | 52.2 | 16,677 |
| Statutory and Reporting | - | - | 0.3 | 141 | 24.1 | 7,293 | - | - | 24.4 | 7,434 |
| LBL recharges | 0.1 | 75 | 3.6 | 1,420 | 1.8 | 468 | 2.4 | 465 | 7.9 | 2,428 |
| Grand Total | 3.1 | 2,565 | 35.6 | 15,633 | 46.1 | 13,879 | 19.1 | 3,961 | 103.9 | 36,038 |

The Joint Administrators' policy for charging for disbursements is

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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 | - |

| Current charge out rates | Business Recovery Services | Specialist* | 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. | |
|---------------------------|----------------------------|-------------|--|--|
| Grade | Max £/hr | Max £/hr | | |
| Partner | 800 | 980 | 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. | |
| Director | 610 | 890 | | |
| Senior manager | 470 | 830 | | |
| Manager | 395 | 605 | | |
| Senior Associate | 330 | 330 | 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. | |
| Associate / Support Staff | 210 | 195 | | |

***Narrative of the Joint Administrators' time costs for the period
1 September 2010 to 28 February 2011***

Strategy and planning - £6,502

- Reviewing financial information,
- Updating strategy documents,
- Discussions with advisors regarding pension claims, and
- Regular review of activity on the estate by PwC staff

Tax & VAT - £2,997

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

Accounting and Treasury - £16,677

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

Statutory and Reporting - £7,434

- Preparation of Administrators' progress report,
- Prepare detailed fee summary,
- Fee analysis for Administrators' update,
- Analyse timesheets for completeness and accuracy,
- Prepare receipts and payments account,
- Dealing with statutory issues, and
- Manage Cherry Tree Administration database.

LBL recharges - £2,428

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