

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, Gillian Eleanor Bruce and Julian Guy Parr 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 (b) 13 October 2013 to (b) 12 April 2014

Signed 
Joint Administrator

Dated 9 May 2014

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.

7 More London Riverside	
Tel 02072138151	
DX Number	DX Exchange

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
2013 to 12 April 2014

9 May 2014

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the eleventh 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 2014

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 are continuing to pursue the most beneficial exit route from the Administration

Outcome for creditors

On 24 June 2013, the Court gave the Administrators of Cherry Tree permission to agree and pay a dividend in respect of the admitted claims of its unsecured creditors. The Administrators declared and paid a first interim dividend of 9 pence in the £ to the Company's unsecured non-preferential creditors on 20 September 2013

The quantum and timing of any further distribution remains uncertain at this stage

Pension Liability

Following the Supreme Court judgment in July 2013, to which we referred in our last report, the stay which had been in force for the Upper Tribunal proceedings came to an end

The Upper Tribunal has the role of deciding whether a FSD should be made, and against which entities. Cherry Tree is one of the potential targets of a FSD. The Upper Tribunal has set a date in February 2015 for a substantive hearing

Also, since their previous progress report, the Administrators have participated in a High Court application relating to the maximum quantum of any Contribution Notice ("CN"). The High Court held that the aggregate liability under potential CNs issued to more than one target company could exceed the amount of £119m. This judgment is being appealed

In the light of the activity set out above, the risk of Cherry Tree having a liability to the pension scheme under a FSD remains, and the Administrators continue to monitor the position and take steps as appropriate

Exit route from administration

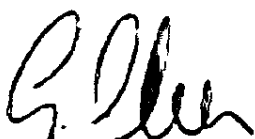
On the application of the Administrators, the High Court made an order to further extend the period of the Administration to 30 November 2014.

The Administrators are currently considering whether a further application to extend the Administration should be made. In deciding whether an extension is appropriate, the Administrators will give due regard to the cost and benefit implications for the Company's creditors

Future reports

The Administrators will next report to creditors in approximately six months or when the Administration comes to an end, whichever is sooner

Signed



GE Bruce
Joint Administrator
Cherry Tree Mortgages Limited

AV Lomas, SA Pearson, GE Bruce and JG Parr have been 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, GE Bruce and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration

Section 2 Joint Administrators' actions to date

Background

The principal activity of Cherry Tree was an 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

To date, the Administrators have received c. £1.1m in respect of the sale of tax losses to other group companies

The Administrators have admitted claims totalling £26m. In addition, a contingent claim of £119m has been received from the Trustees of the pension scheme

On 20 September 2013, Cherry Tree declared a first interim dividend of 9p in the £ to creditors whose claims had been admitted. A reserve has been made for the contingent pension liability

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>Current Administrators' names and addresses</i>	GE Bruce, SA Pearson, AV Lomas and JG Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
<i>Appointer's name and address</i>	The original appointment of Administrators was made by 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>	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 Joint Administrators
<i>Details of any extensions of the initial period of appointment</i>	The High Court of Justice has granted four successive extensions to the Administration period to 30 November 2010, 30 November 2011, 30 November 2013 and more recently to 30 November 2014
<i>Proposed end of the Administration</i>	The Administrators wish to retain various exit options available to them. The most likely exit route from the Administration is to continue to distribute from the Administration (the Administrators having obtained permission from the Court to do so in June 2013) and then to apply for the dissolution of the Company
<i>Estimated dividend for unsecured creditors</i>	The Administrators declared a first interim dividend of 9p in the £ to unsecured non-preferential creditors on 20th September 2013. The quantum and timing of any further dividends remains uncertain at present
<i>Estimated values of the prescribed part and Cherry Tree's net property</i>	Not applicable as there is no qualifying floating charge
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86</i>	Not applicable as there is no prescribed part
<i>The European Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000 of 29 May 2000)</i>	The European Regulation on Insolvency Proceedings applies to this Administration and these are the main proceedings

Section 4 Financial Information

Administrators' remuneration

In May 2009, the Administrators requested and received consent from Cherry Tree's creditors for the Administrators' remuneration to 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.

Attached at Section 6, is a summary of the Administrators' time costs for the period 1 October 2013 to 31 March 2014, presented in accordance with the Statement of Insolvency Practice 9, together with a narrative of the work performed. Time costs for this period total £50,446 plus VAT, which represents 137.86 hours at an average hourly rate of £366. Details of time costs incurred in earlier periods have been provided in earlier reports.

Receipts and payments account

An account of the receipts and payments in the Administration showing movements for the six months to 12 April 2014 is set out overleaf.

Net receipts as at 12 April 2014 total approximately £12.3m.

Section 5 Receipts and Payments Account

	Estimated to realise per Directors' Statement of Affairs GBP (£)	As at 12-Apr-14 GBP (£)	Movements GBP (£)	As at 13-Oct-13 GBP (£)
Receipts				
Sale of mortgage portfolio	23,600,390	14,201,068	-	14,201,068
Inter-company debtors	28,817	-	-	-
Sale of tax losses		1,154,184	-	1,154,184
Tax function costs recharged		29,710	-	29,710
Interest received gross		215,086	19,173	195,913
Total	23,629,207	15,600,048	19,173	15,580,875
Payments				
Legal fees		59,267	-	59,267
Employee costs		1,763	-	1,763
IT costs		5,741	-	5,741
Joint Administrators' remuneration		644,566	39,723	604,843
Joint Administrators' Category 1 disbursements		2,370	-	2,370
Statutory advertising		10,824	-	10,824
Irrecoverable VAT (see note 1)		118,866	7,945	110,921
Total		843,397	47,668	795,729
Distributions				
1st dividend to unsecured creditors of 9p in the £, declared in September 2013		2,375,042	-	2,375,042
Total		2,375,042	-	2,375,042
Cash in hand/ (movement in year)		12,381,609	(28,495)	12,410,104
Cash in hand is represented by				
HSBC (non-interest bearing)		100,726	(9,667)	110,393
Money Market (see note 2)		12,280,883	(18,828)	12,299,711
Total Cash		12,381,609	(28,495)	12,410,104

Notes:

- (1) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs
(2) Funds are invested on the money markets in order to accrue interest and to manage risk

Section 6 Joint Administrators' time costs for the period 1 October 2013 to 31 March 2014

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total hours	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	-	-	12.40	5,344	20.05	6,006	14.45	3,309	46.90	14,659
Administration and Planning	6.10	4,098	5.15	2,228	5.05	1,808	7.25	1,660	23.55	9,794
Creditors	-	-	0.10	43	0.50	180	0.12	27	0.72	250
Statutory and Compliance	0.50	333	4.95	2,182	19.50	6,850	6.35	1,454	31.30	10,819
Tax and VAT	2.70	2,174	14.25	7,915	0.20	72	9.38	1,381	26.53	11,542
Pensions	1.90	1,264	1.35	582	1.70	612	2.80	641	7.75	3,099
LEL Recharges	0.01	10	0.13	56	0.24	55	0.73	162	1.11	283
Grand Total	11.21	7,879	38.33	18,350	47.24	15,583	41.08	8,634	137.86	50,446
Average Hourly Rate	703		479		330		210		366	

Current charge out rates Grade	Business Recovery		Specialist
	Services	Max £/hr	
Partner	838	1075	
Director	680	990	
Senior manager	525	905	
Manager	444	545	
Senior Associate	370	410	
Associate/Support Staff	230	212	

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 maximum unit for time charged by the Joint Administrators and their staff is 0.05 of an hour.

* 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 given 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 inflation cost increase) over the period of the Administration. Any material amendments to these rates will be advised to the creditors in the next statutory report.

Narrative of the Joint Administrators' time costs for the period 1 October 2013 to 31 March 2014

Accounting and Treasury - £14,659

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

Administration and Planning - £9,794

- Discussions regarding strategy for the Administration including quantum and timing of the distribution,
- Team discussions on case progression and resource management,
- Reviewing financial information, and
- Updating strategy documents

Creditors - £250

- Maintaining list of creditor claims and status of such claims

Statutory and Compliance - £10,819

- Preparation of Administrators' tenth progress report,
- Preparation of Administrators' receipts and payments account,
- Circulation of progress report to creditors,
- Statutory filings at Companies House and Court,
- Preparing detailed remuneration summary and narrative of work undertaken,
- Undertaking six monthly review of Administration,
- Managing Administration database, and
- Reviewing of time costs in preparation for billing

Tax and VAT - £11,542

- Dealing with Corporation Tax and VAT queries,
- Tax compliance
- Preparation of VAT returns, and
- VAT reconciliation and preparation

Pensions - £3,099

- Preparations for and attending the Upper Tribunal pensions hearing, and
- Liaising with internal and external advisors in relation to the ongoing pensions matter

LBL / LBIE Recharges - £283

- This is an apportionment of the costs incurred by Lehman Brothers Limited and Lehman Brothers International (Europe) associated with the administration companies