

The Insolvency Act 1986

Administrators' 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

from

to

(b) Insert dates

(b) 13 April 2014

(b) 12 October 2014

Signed



Joint Administrator

Dated

3 November 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, London, SE1 2RT

Tel 0207 583 5000

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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COMPANIES HOUSE

Cherry Tree Mortgages Limited – In Administration

Joint Administrators' progress
report for the period 13 April 2014 to
12 October 2014

31 October 2014



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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 12th 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 their appointment, with particular focus on the progress made in the six months to 12 October 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

Having achieved the specific aims, the Administrators are now seeking to conclude 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

On 20 September 2013, the Administrators declared and paid a first interim dividend of 9 pence in the £ to the Company's unsecured non-preferential creditors

On 12 September 2014, a second interim dividend of 40 pence in the £ was paid

It is anticipated that a small further dividend will be paid prior to the closure of the Administration

Pension Liability

During the reporting period, the Administrators entered into an agreement to settle the Upper Tribunal proceedings against various Lehman companies. The purpose of the Upper Tribunal proceedings was to decide whether a Financial

Support Direction ("FSD") should be made, and against which entities, in respect of the Lehman Brothers Pension Scheme (the "Scheme") such that additional contributions would be paid into the Scheme

Following the settlement agreement with the Pension Scheme Trustees, and all other potential FSD targets, which became effective on 18 August 2014, Cherry Tree no longer has a potential liability to the Scheme

As part of the settlement, Cherry Tree has contributed to certain legal costs of the Pension Scheme Trustees and the Pensions Regulator. Cherry Tree has not contributed to the cost of funding pension liabilities under the settlement, which are being discharged by other Lehman companies

Extension of the administration

On the application of the Administrators, the High Court made an order to extend the period of the Administration for a further 12 months to 30 November 2015

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 £1.15m in respect of the sale of tax losses to other group companies

The Administrators recently submitted a claim against Mable Commercial Funding Limited for £159k which has since been admitted for dividend purposes. In the period covered by this report, the Company has received a catch-up dividend of £38k, equating to 24.1 pence in the £ in respect of its claim

On 20 September 2013, Cherry Tree declared a first interim dividend of 9p in the £ to creditors whose claims had been admitted

On 12 September 2014, a second interim dividend of 40 pence in the £ was paid following the pension settlement

Following the extension of the Administration for a further 12 months, the Administrators are now seeking to conclude the Administration and pay the final dividend to Cherry Tree's 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>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 five successive extensions to the Administration period to 30 November 2010, 30 November 2011, 30 November 2012, 30 November 2014 and more recently to 30 November 2015
<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. A second interim dividend of 40 pence in the £ was paid on 12 September 2014. The quantum and timing of any further dividend 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 April 2014 to 30 September 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 £65,393 plus VAT, which represents 178 hours at an average hourly rate of £368. 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 October 2014 is set out overleaf.

Key movements in period

- £12.2m in respect of a second interim dividend paid to unsecured creditors,
- £73.3k plus VAT drawn by the Administrators in respect of their remuneration, and
- £17.1k earned in interest from the investment of funds on the money markets.

Cash held as at 12 October 2014 totals c.£1.74m.

Section 5 Receipts and Payments Account

	As at 12-Oct-14 GBP (£)	Movements GBP (£)	As at 12-Apr-14 GBP (£)
Receipts			
Sale of mortgage portfolio	14,201,068	-	14,201,068
Inter-company debtors	38,383	38,383	-
Sale of tax losses	1,154,184	-	1,154,184
Tax function costs recharged	29,710	-	29,710
Interest received gross	232,252	17,166	215,086
Total	15,655,597	55,549	15,600,048
Payments			
Legal fees	71,606	-	59,267
Pension related legal costs	25,570	25,570	-
Employee costs	1,763	-	1,763
IT costs	5,741	-	5,741
Joint Administrators' remuneration	717,884	73,318	644,566
Joint Administrators' Category 1 disbursements	2,370	-	2,370
Statutory advertising	20,482	9,658	10,824
Irrecoverable VAT (see note 1)	136,773	17,907	118,866
Total	982,189	138,792	843,397
Distributions to unsecured creditors			
1st dividend of 9p in the £, declared in September 2013	2,375,042	-	2,375,042
2nd dividend of 40p in the £, declared September 2014	10,555,743	10,555,743	-
Total	12,930,785	10,555,743	2,375,042
Cash in hand/ (movement in year)	1,742,623	(10,638,986)	12,381,609
Cash in hand is represented by			
HSBC (non-interest bearing)	1,742,623	1,641,897	100,726
Money Market (see note 2)	-	(12,280,883)	12,280,883
Total Cash	1,742,623	(10,638,986)	12,381,609

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 have been invested on the money markets in order to accrue interest and to manage risk

Section 6 Joint Administrators' time costs for the period 1 April 2014 to 30 September 2014

Joint Administrators' time costs for the period 1 April 2014 to 30 September 2014

Classification of work	Partner/Director	Senior Manager/Manager	Senior Associate	Associate/Support Staff	Total hours
	Hours	Hours	Hours	Hours	Hours
Accounting and Treasury	0 05	12 95	24 85	15 10	52 95
Administration and Planning	2 55	8 90	27 05	14 00	52 50
Creditors	-	0 65	0 20	4 85	5 70
Statutory and Compliance	-	7 65	11 40	16 10	35 15
Pensions	0 30	-	-	-	0 30
Tax and VAT	5 40	13 75	6 85	3 90	29 90
LBL Recharges	0 06	0 14	0 08	0 84	1 12
Grand Total	8 36	44 04	70 43	54 79	177 62
Average Hourly Rate	876	497	340	223	368

Current charge out rates	Business Recovery Services		Specialist	
	To 30 June 2014	From 1 July 2014	To 30 June 2014	From 1 July 2014
Grade	Max £/hr	Max £/hr	Max £/hr	Max £/hr
Partner	873	873	1,167	1,245
Director	665	665	1,076	1,076
Senior manager	512	512	905	905
Manager	431	431	660	660
Senior Associate	360	360	490	490
Associate/Support Staff	229	229	228	229

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 April 2014 to 30 September 2014

Accounting and Treasury - £16,563

- 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 - £18,487

- Discussions regarding strategy for the Administration including quantum and timing of the distribution,
- Regular team meetings and discussions on case progression,
- Liaising with various teams on resource management and strategy going forward,
- Reviewing financial information, and
- Updating strategy documents

Creditors - £1,444

- Maintaining list of creditor claims and status of such claims, and
- Responding to Creditor queries

Statutory and Compliance - £11,137

- Preparation of Administrators' eleventh 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.

Pensions - £262

- Liaising with internal and external advisors in relation to the pensions matter

Tax and VAT - £17,215

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

LBL / LBIE Recharges - £285

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