

The Insolvency Act 1986

Administrator's progress report

Name of Company Carlson Properties Limited	Company number 03582766
In the Royal Courts of Justice, Chancery Division, Companies Court [full name of court]	Court case number 4474/2011

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

I/ We (a) I Best, D Frangou and T Lukicc/o Ernst & Young LLP, No 1 Colmore Square, Birmingham, B4 6HQ

administrators of the above company attach a progress report for the period

from

to

(b) Insert date

(b)

26 May 2011

(b)

25 November 2011

Signed

Joint Administrator

Dated

22/12/11**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 COMPANIES HOUSE

Dami Tanimowo	
Ernst & Young LLP, No 1 Colmore Square, Birmingham, B4 6HQ	
	Tel 0121 535 2362
DX Number	DX Exchange



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When you have completed and signed this form please send it to the Registrar of Companies

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

TO ALL KNOWN CREDITORS

22 December 2011

Ref: CHG/IB/DF/SG/DT/24

Direct line: 0121 535 2362
Direct fax: 0121 535 2448

Dami Tanimowo

Dear Sirs

**Chantstream Limited
Carlson Properties Limited
Rossmark Properties Limited
(All in Administration) (together "the Companies")**

Royal Courts of Justice, Chancery Division, Companies Court, Numbers 4471 of 2011, 4474 of 2011 and 4475 of 2011 respectively

Registered office address: c/o Ernst & Young LLP, No. 1 Colmore Square, Birmingham, B4 6HQ

I write, in accordance with Rule 2.47 of The Insolvency Rules 1986, to provide creditors with a report on the progress of the Administrations. This report covers the period from 26 May 2011 to 25 November 2011 and should be read in conjunction with the Joint Administrators' Proposals dated 19 July 2011 ("the Proposals").

Chantstream Limited, registered number 03308541, Carlson Properties Limited, registered number 03582766, and Rossmark Properties Limited, registered number 03971090, entered Administration on 26 May 2011 and D Frangou, T Lukic and I were appointed to act as Joint Administrators. The appointment was made by The Governor and Company of the Bank of Ireland, acting as Security Trustee, under the provisions of paragraph 14 of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by any one of them.

Summary of progress since the Proposals

Following our appointment, we took control of the business and assets of the Companies with a view to establishing a strategy to meet the prioritised objectives of the Administration process, being:

- a) rescuing the Companies as a going concern, or
- b) achieving a better result for the Companies' creditors as a whole than would be likely if the Companies were to be wound up (without first being in Administration), or
- c) realising property in order to make a distribution to one or more secured or preferential creditors



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In the Proposals we reported that our strategy was to pursue objective (a), as at that time we were in advanced discussions with the directors of the Companies and Comer Homes Group ("CHG") to rescue the Companies as a going concern. In October 2011, their offer for the Companies was withdrawn and, as a result, a rescue of the Companies as a going concern would no longer be achievable.

The Administrators are now seeking to pursue objectives (b) and/or (c).

Properties

As detailed in our previous report, each of the Companies hold a property development at varying stages of completion. These are located at Royal Connaught Park, The Avenue, Bushey, Hertfordshire, WD23 2LW ("Bushey"), Ocean Views, Portland, Dorset, DT5 1BD ("Portland") and Bradstowe House, Harrow, HA1 1NL ("Harrow").

During our negotiations with the directors of the Companies, to rescue the Companies as a going concern, no works were carried out on the sites other than the ongoing insurance and monitoring of the site, implementation of security measures and emergency works. This enabled holding costs to be kept to a minimum during the period of negotiations.

With the assistance of the directors and Comer Property Management Limited, the ongoing facilities made available for residents in the completed or sold units of the sites continue to be maintained.

Following the withdrawal of the directors' offer, we are considering the appropriate Administration strategy for each of the sites based on revised appraisals of the developments. We instructed Savills to provide a valuation and Davis Langdon to provide a cost to complete report for each of the developments. The Administrators have continued to liaise with the secured creditors, Bank of Ireland, HSBC Bank plc and BNP Paribas ("the Banks") to consider the options for the sites in order to extract the best value for the creditors. This will involve either a sale of the developments in their current state, a partial or complete build out with a developer or a combination of both.

We are currently in the process of assembling the relevant property documentation required to enable potential purchasers, contractors and development partners to prepare proposals for the sites. We expect to be in a position to have meaningful discussions with these parties mid to late January 2012. These parties will include specifically targeted parties and those who have already expressed a serious interest for the sites.

Exchanged properties

Prior to our appointment contracts had exchanged for four units at Portland and three units at Bushey.

To date we have completed the sale of one unit at Bushey and have progressed correspondence with the other purchasers to complete these transactions. Two of these exchanged properties relate to Prince Andrew House at Portland where the build has not yet commenced. These contracts have now been terminated.

Conduct of the directors of the Companies

It is a statutory requirement for Administrators to perform a review of the conduct of directors that held office in the three years prior to appointment. This has been completed and the resulting report, which is confidential, has been sent to the Secretary of State at the Department for Business, Innovation and Skills.

Receipts and payments accounts

I enclose receipts and payments accounts for the period from 26 May 2011 to 25 November 2011 for each of the Companies at Appendices 1a and 1b. These do not reflect estimated future realisations or costs.

Since the Proposals, significant movements have occurred in the following principal areas:

Chantstream Limited - Royal Connaught Park, Bushey, Hertfordshire

- ▶ £384,000 received on completion of a sale of a leasehold apartment,
- ▶ £150,000 additional funding received from the secured creditors to settle the site's holding costs,
- ▶ £27,550 received from Comer Property Management in respect of ground rent collected from the leaseholders,
- ▶ £110,500 paid in respect of freeholder contributions for estate management charges,
- ▶ £75,271 paid for third party security, and
- ▶ £7,135 in legal costs to complete the sale of the leasehold unit.

Carlson Properties Limited - Bradstowe House, Harrow

- ▶ £8,860 paid for third party security

Rossmark Properties Limited - Ocean Views, Portland, Dorset

- ▶ £62,000 additional funding from the secured creditors to settle the site's holding costs,
- ▶ £16,650 received from Comer Property Management in respect of ground rent collected from the leaseholders,
- ▶ £80,260 paid in respect of freeholder contributions for estate management charges, and
- ▶ £8,060 paid for third party security

Joint Administrators' remuneration and disbursements

The basis of remuneration has been agreed with the secured creditors to be fixed on a time-cost basis.

To date the Administrators have incurred time costs of £321,531, against which no sums have been drawn to date. An analysis of the time spent is attached at Appendices 2a and 2b to this report. At Appendix 3 there is a statement of the Administrators' policy in relation to charging time and disbursements.

There is an analysis of Category 2 disbursements at Appendix 2c.

In certain circumstances, creditors are entitled to request further information regarding the Administrators' remuneration or expenses, or to apply to Court on the grounds that the costs are considered to be excessive (Rules 2.48A and 2.109 of the Insolvency Rules 1986). Further information is provided in Appendix 4.

Pre-administration costs

The Proposals included a statement of pre-administration costs of £20,327 plus VAT which is outstanding at the date on which the Companies entered Administration. Approval to pay these costs as an expense of the Administration will be sought from the Banks in accordance with Rule 2.67A of the Insolvency Rules 1986.

Secured creditors

The Banks, which form a syndicate of Bank of Ireland, HSBC Bank plc and BNP Paribas, have a total indebtedness at 26 May 2011 of c £167m, excluding interest and charges.

Preferential creditors

There are no preferential creditors of the Companies in respect of claims for employees' salaries, holiday pay and pension contributions.

Non-preferential creditors

The listing of creditors at the date of our appointment indicated no non-preferential creditors other than those held by intercompany entities. The combined value of intercompany creditors at the date of our appointment was c £60m.

We have received a limited number of claims from third party creditors since our previous report and are working to establish the likely quantum in this regard.

Based on the level of expected realisations and the significant outstanding liability to the secured creditors, we do not anticipate funds being available to make a distribution to non-preferential creditors.

The Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003.

The secured creditors' floating charge for each of the Companies was created after 15 September 2003 and therefore the Prescribed Part applies for the Companies. As commented above it is unlikely that there will be funds available for non-preferential creditors. On this basis,

the Joint Administrators do not intend to make an application to the court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the Prescribed Part to creditors

Future conduct of the Administrations

The primary areas of work which remain outstanding in the Administrations are as follows

- ▶ Realisation of the property assets held by the Companies. The Administrators continue to liaise with the Banks regarding the realisations strategy for each of the sites in order to extract the best value for the creditors
- ▶ Complete statutory returns to HM Revenue and Customs including those in relation to VAT and corporation tax returns
- ▶ Settle all costs and expenses of the Administrators, including, with the approval of the Banks, the Joint Administrators' remuneration
- ▶ Satisfy statutory obligations during the Administrations, including ongoing six monthly reporting to the Companies' creditors
- ▶ Distribute available funds to the Banks
- ▶ Make the appropriate requests for the extension of the Administrations if the property assets are not realised prior to the 12 month anniversaries

The end of the Administrations

It is proposed that if at the end of the Administrations, as is envisaged, the Companies have no property which might permit a distribution to its creditors, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointments will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Companies will be deemed to be dissolved three months after the registration of the notice.

The key area which is likely to prevent the Administrations being closed before their 12 month anniversary is the realisation of the property assets. Consequently, we consider an extension to the Administration of the Companies will be required.

I will report to you again at the conclusion of the Administrations or in six months' time, whichever is the sooner

Yours faithfully
for the Companies



I Best
Joint Administrator

Enc	Appendix 1	Joint Administrators' receipts and payments accounts
	Appendix 2	Summary of Joint Administrators' time costs and Category 2 disbursements
	Appendix 3	Joint Administrators' policy on fees and disbursements
	Appendix 4	Creditors' request for further information regarding an administrators' remuneration or expenses

The Institute of Chartered Accountants in England and Wales authorises I Best and T Lukic to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and The Association of Chartered Certified Accountants authorises D Frangou to act as Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986

The affairs, business and property of the Companies are being managed by the Administrators, I Best, T Lukic and D Frangou, who act as agents of the Companies only and without personal liability

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data") We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998

Appendix 1a

Chantstream Limited, Carlson Properties Limited & Rossmark Properties Limited (All in Administration)

Administrators' receipts and payments account for the period from 26 May 2011 to
25 November 2011

	Chantstream Limited			
	Estimated to Realise as per Directors' Statement of Affairs	26 May to 18 July 2011	Movement since 19 July 2011	26 May to 25 November 2011
	£000s	£000s	£000s	£000s
RECEIPTS				
Advances made by the Banks to fund Administration liabilities	-	25	150	175
Apartment sale	-	-	384	384
Stock and work in progress	23 210	-	-	-
Cash at bank	1 603	-	-	-
Debtors				
Ground rent	2	-	28	28
Rossmark Properties Limited	4,210	-	-	-
Carlson Properties Limited	2 433	-	-	-
Coral Bay Holdings Limited	14 456	-	-	-
		25	562	587
PAYMENTS				
Freeholder contribution	-	-	(111)	(111)
Security	-	-	(75)	(75)
Legal fees relating to apartment sale	-	-	(7)	(7)
Sundry items	-	-	(1)	(1)
VAT	-	-	(16)	(16)
		-	(210)	(210)
BALANCE IN HAND		25	351	376

Appendix 1b

Administrators' receipts and payments account for the period from 26 May 2011 to 25 November 2011

Carlson Properties Limited				
	Estimated to Realise as per Directors' Statement of Affairs	26 May to 18 July 2011	Movement since 19 July 2011	26 May to 25 November 2011
	£000s	£000s	£000s	£000s
RECEIPTS				
Advances made by the Banks to fund				
Administration liabilities	-	25	-	25
Stock and work in progress	15,770	-	-	-
Cash at bank	1	-	-	-
Debtors				
Coral Bay Holdings Limited	3,614	-	-	-
		25		25
PAYMENTS				
Security	-	-	(9)	(9)
Sundry items	-	-	(1)	(1)
VAT	-	-	(2)	(2)
		-	(12)	(12)
BALANCE IN HAND		25	(12)	13

Rossmark Properties Limited				
	Estimated to Realise as per Directors' Statement of Affairs	26 May to 18 July 2011	Movement since 19 July 2011	26 May to 25 November 2011
	£000s	£000s	£000s	£000s
RECEIPTS				
Advances made by the Banks to fund				
Administration liabilities	-	25	62	87
Stock and work in progress	22,863	-	-	-
Cash at bank	270	-	-	-
Debtors				
Ground rent	7	-	17	17
Carlson Properties Limited	4,155	-	-	-
Coral Bay Holdings Limited	9,730	-	-	-
		25	79	104
PAYMENTS				
Freeholder contribution	-	-	(80)	(80)
Security	-	-	(8)	(8)
Sundry items	-	-	(1)	(1)
VAT	-	-	(2)	(2)
		-	(91)	(91)
BALANCE IN HAND		25	(12)	13

Appendix 2a

Chantstream Limited, Carlson Properties Limited & Rossmark Properties Limited (All in Administration)

Summary of Joint Administrators' time costs and Category 2 disbursements

Time costs from 26 May 2011 to 25 November 2011

Chantstream Limited

Classification of work function	Hours				Total hours	Total time costs £	Total average hourly rate £
	Partner / director	Manager	Other senior professionals	Assistants & support			
Accounting & administration	0.5		2.9	8.3	11.7	1,654.00	141.37
Bank & statutory reporting	30.9	3.0	1.1	10.5	45.5	18,146.00	398.81
Creditors			3.0		3.0	630.00	210.00
Immediate tasks	5.6	8.3	11.7	13.2	39.0	8,759.00	224.59
Investigation/CDDA	0.3	0.2	1.5	8.2	10.2	1,570.00	153.92
Job acceptance & strategy	5.0	0.2		1.9	7.1	2,455.00	345.77
Legal issues	0.4				0.4	218.00	545.00
Other assets				0.8	0.8	90.00	112.50
Other matters				1.3	1.3	176.00	135.38
Property	60.5	96.8	23.8	23.2	204.3	81,737.00	400.08
Public Relations Issues				0.3	0.3	41.00	136.67
Statutory duties	2.5	9.5	0.6	3.2	15.8	4,425.00	280.06
Trading	6.1	11.5	1.7	1.1	20.4	6,723.00	329.56
VAT & taxation	6.5	6.2	4.9	2.9	20.5	8,047.00	392.54
Total hours	118.50	136.70	51.20	74.90	380.30	134,671.00	354.12
Total time costs	57,334.00	64,544.00	10,940.00	11,853.00			
Average hourly rate	483.83	401.95	213.67	158.25			

Category 1 expenses

Category 2 expenses

£587.83

£1,502.15

£136,760.98

Carlson Properties Limited

Classification of work function	Hours				Total hours	Total time costs £	Total average hourly rate £
	Partner / director	Manager	Other senior professionals	Assistants & support			
Accounting & administration			2.3	8.2	10.5	1,385.00	130.00
Bank & statutory reporting	29.5	2.8	1.1	8.1	41.5	16,037.50	386.45
Immediate tasks	1.8	3.1	4.3	12.0	21.2	3,870.50	182.57
Investigation/CDDA	0.3	0.2	1.5	8.0	10.0	1,542.50	154.25
Job acceptance & strategy		0.2		1.9	2.1	329.50	156.90
Legal issues	0.4				0.4	218.00	545.00
Other matters				0.3	0.3	40.50	135.00
Property	75.9	51.6	25.8		153.3	64,469.00	420.54
Statutory duties	2.1	7.2		1.4	10.7	3,369.00	314.86
Trading	1.6	3.8	2.5	0.7	8.6	2,541.00	295.47
VAT & taxation	2.0	6.1		1.3	9.4	4,455.50	473.99
Total hours	113.60	75.00	37.50	41.90	268.0	98,238.00	366.56
Total time costs	53,904.00	30,803.00	8,758.00	4,773.00			
Average hourly rate	474.51	410.71	233.55	113.91			

Category 1 expenses

Category 2 expenses

£86.42

£199.38

£98,522.80

Summary of Joint Administrators' time costs and Category 2 disbursements

Time costs from 26 May 2011 to 25 November 2011

Rossmark Properties Limited

Classification of work function	Hours				Total hours	Total time costs £	Total average hourly rate £
	Partner / director	Manager	Other senior professionals	Assistants & support			
Accounting & administration	-	-	2.7	3.1	5.8	1,207.00	208.10
Bank & statutory reporting	30.0	2.7	1.1	8.0	41.8	15,855.50	379.32
Immediate tasks	2.0	3.1	16.3	13.0	34.4	5,606.50	171.70
Investigation/CODA	0.3	0.2	1.5	8.0	10.0	1,365.00	136.50
Job acceptance & strategy	-	0.2	-	1.6	2.1	340.00	161.90
Legal issues	0.4	-	-	-	0.4	156.00	390.00
Other matters	-	-	-	1.0	1.0	110.50	110.50
Property	66.4	46.1	5.8	0.8	119.1	53,195.50	446.65
Statutory duties	-	7.3	-	1.2	8.5	3,361.00	395.41
Trading	2.6	5.9	-	1.0	9.5	2,354.50	247.84
VAT & taxation	2.2	4.1	-	1.6	8.2	4,770.00	581.71
Total hours	103.90	69.60	27.40	39.90	240.80	88,621.50	368.03
Total time costs	49,196.00	27,784.00	7,047.00	4,594.50			
Average hourly rate	473.49	399.20	257.19	115.15			

Category 2 expenses

£98.40

£88,719.90

Current hourly charge out rates

Grade description	Job title	Rates 26/5/11 - 30/6/11 (£)	Rates 01/7/11 - date (£)
Partner / director	Partner	520	545
	Partner (tax)	875	920
	Account director	425	445
Manager	Assistant director (real estate)	620	650
	Assistant director (tax)	720	730
	Senior executive	290	305
	Senior executive (tax)	380	565
	Senior executive (real estate)	445	465
Other senior professionals	Executive	210	220
	Executive (real estate)	320	335
Assistants & support	Analyst	90-105	135-175
	Support	100	110

Category 2 disbursements

Chantstream Limited

Nature of expense	Amount (£)	Basis of charge
Mileage – firm's car	516 22	Mileage is charged at 45p per mile
Mileage – own car	955 93	Mileage is charged at 45p per mile
Bonding	30 00	Bonding forms charged at £10 per appointee
Total	1,502 15	

Carlson Properties Limited

Nature of expense	Amount (£)	Basis of charge
Mileage – firm's car	20 25	Mileage is charged at 45p per mile
Mileage – own car	149 13	Mileage is charged at 45p per mile
Bonding	30 00	Bonding forms charged at £10 per appointee
Total	199 38	

Rossmark Properties Limited

Nature of expense	Amount (£)	Basis of charge
Mileage – own car	68 40	Mileage is charged at 45p per mile
Bonding	30 00	Bonding forms charged at £10 per appointee
Total	98 40	

**Chantstream Limited, Carlson Properties Limited &
Rossmark Properties Limited
(All in Administration)**

**Statement of Administrators' charging policy for remuneration and disbursements
pursuant to Statement of Insolvency Practice No. 9**

Administrators' charging policy for remuneration

The Administrators have engaged managers and other staff to work on the Administrations. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Companies' bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established for the case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below, as are the current hourly rates used. The current hourly rates are higher than the average rates, since hourly rates have increased over the period covered by this fee request.

Administrators' charging policy for disbursements

Statement of Insolvency Practice No. 9 divides disbursements into two categories.

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as may reasonably be required to support the disbursements drawn.

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such disbursements are subject to approval as if they were remuneration. It is our policy, in line with the Statement, to seek approval for Category 2 disbursements before they are drawn.

Creditors' request for further information regarding an administrators' remuneration or expenses – Rule 2.48A, Insolvency Rules 1986

(1) If-

(a) within 21 days of receipt of a progress report under Rule 2 47-

(i) a secured creditor, or

(ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or

(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

(2) The administrator complies with this paragraph by either-

(a) providing all of the information asked for, or

(b) so far as the administrator considers that-

(i) the time or cost of preparation of the information would be excessive, or

(ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or

(iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of-

(a) the giving by the administrator of reasons for not providing all of the information asked for, or

(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just "

Creditors' claim that remuneration is excessive – extract from Rule 2.109 of the Insolvency Rules 1986

"(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2 106, or

(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report") "