

The Insolvency Act 1986

Administrator's progress report**R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

FM Developments Limited

Company number

SC172175

(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
F J Gray & E G Mackay
Zolfo Cooper
Cornerstone
107 West Regent Street
Glasgow
G2 2BAA C O'Keefe
Zolfo Cooper
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

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

from

to

(b) Insert date(s)

(b) 23 February 2011

(b) 22 August 2011

Signed

P. J. Mackay
Joint / Administrator(s)

Dated

05/09/11

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 creditors.

K Wrigley
Zolfo Cooper
The Zenith Building
26 Spring Gardens
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DX Number

+44 (0) 161 838 4500
DX Exchange

SCT

SRLSEXDK
08/09/2011
COMPANIES HOUSE

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When you have completed and signed this form, please send it to the Registrar of Companies at:-
Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge,
Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

THURSDAY

Joint Administrators'
Progress Report for the
Period 23 February 2011
to 22 August 2011

FM Developments Limited - In
Administration

5 September 2011

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1 Statutory Information

- 1.1 I was appointed Joint Administrator of FM Developments Limited (the Company) together with Fraser Gray and Elizabeth Mackay on 23 February 2009 by the Court of Session, Edinburgh. The application for the appointment of an Administrator was made by the Governor and Company of the Bank of Scotland plc (the Bank), The Mound, Edinburgh, EH1 1YZ.
- 1.2 This Administration is being handled by Zolfo Cooper's Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 1.3 The Administration is being handled by the Court of Session, Edinburgh. No reference number was assigned.
- 1.4 The trading address of the Company was 9 Great Stuart Street, Edinburgh, Midlothian, EH3 7TP.
- 1.5 The registered office of the Company has been changed to c/o Zolfo Cooper, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA and its registered number is SC172175.
- 1.6 In accordance with paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the functions of the Administrators may be exercised by any or all, acting jointly or alone.

2 Progress of the Administration

- 2.1 Attached at Appendix A is the Joint Administrators' Receipts and Payments Account for the period from 23 February 2011 to 22 August 2011, together with a Cumulative Receipts and Payments Account for the period from 23 February 2009 to 22 August 2011.
- 2.2 The Joint Administrators are continuing to pursue the second objective of achieving a better result for the Company's creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
- 2.3 During the Administration the Company has made a number of loans to other insolvent group companies (of which we are also Joint Administrators). These loans were required to pay various costs and are being repaid when sufficient funds become available in the respective group companies. In the period of this report loan payments totalling £56,182 have been made by the Company. The loan account balance currently stands at £274,037 as shown at Appendix A. All group companies hold sufficient assets that, when realised, will allow repayment of the loans.
- 2.4 Progress to date in respect of the Company's assets is shown below: -

Ury Estate
- 2.5 Since the date of the last report, the deadline for the option to purchase the site was extended to 30 June 2011 in order to resolve the outstanding legal issues. Missives were signed on 1 June 2011 and at the same time a non-refundable deposit of £100,000 was paid. Two payments of £10,000 were received from the proposed purchaser in respect of two extensions to the option agreement. The sale completed on 1 July 2011 for consideration of £4,850,000. In accordance with Statement of Insolvency Practice 13 (SIP 13) please note that the site was sold to John Forbes, a director of the Company.
- 2.6 Sold within the Ury Estate was an asset belonging to FM Property & Leisure Limited - In Administration. Proceeds of this sale amount to £150,000 shown within Appendix A. The

proceeds have now been distributed to FM Property & Leisure Limited however, the transfer is not shown in Appendix A as it took place outside the period of this report.

Inverbervie

- 2.7 An offer to purchase the site at Inverbervie was received in this period and was subsequently accepted. In accordance with SIP 13 we can advise that the sale completed on 10 June 2011 for consideration of £40,000 to John Forbes, a director of the Company.

Dovecot, Haddington

- 2.8 As previously advised, this property has been occupied by a tenant since prior to our appointment. The tenant has never paid any rent or produced a copy of his lease. He has previously made an offer to purchase the property, but as this was significantly below our agent's valuation it was rejected. Despite protracted negotiations with the tenant he refused to vacate the property or submit a more realistic offer to purchase it.
- 2.9 A notice to vacate the property was served on the tenant, following receipt of which the tenant produced a lease. The lease was for a ten year period, rent free, the consideration for which was the tenant renovating the property. The tenant claims to have spent in the region of £50,000 renovating the property and refused to vacate unless this money was refunded. Negotiations with the tenant have resulted in an agreement whereby in return for vacating the property he received a contribution of £27,500 towards monies he spent on its renovation. Following vacation of the tenant from the property on 12 August 2011, the property has now been placed for sale on the open market.

St John's Hill

- 2.10 Following our marketing effort, an offer to purchase the Company's 50% shareholding in the wind farm at St John's Hill was received. Following discussions with the Joint Venture partner the offer was accepted. The sale of the shareholding completed on 2 June 2011 to Renewable Energy Ventures Limited for consideration of £1 million.

Overseas Subsidiaries

- 2.11 Investigations into the financial position of the overseas companies are ongoing. We are considering engaging the services of a former employee of the Company to assist in this regard. We are therefore unable to establish the value of the assets that lie within these companies at present.

Car Parking Spaces

- 2.12 A new agent was appointed to re-market the six parking spaces in Edinburgh following which we received a number of offers, the highest of which is a group offer for all six spaces. Our agent has recommended this offer be accepted and the matter is being progressed. Details of the offer will not be disclosed until a sale completes for commercial reasons.

Other Assets

- 2.13 Rental income totalling £3,271 has been received in this period. Rent collected during the Administration period now totals £23,730.
- 2.14 Bank interest totalling £7,225 has been received in the period of this report, bringing total realisations from this source to £22,785.

- 2.15 Funds held in suspense total £15,243. We are currently investigating what these receipts are in relation to and it is likely that they will be repaid in due course.
- 2.16 The sale of furniture and equipment of nominal value realised £25 during this period.

3 Assets still to be Realised

- 3.1 As detailed in Section 2, there are a number of assets still to be realised. It is anticipated that the remaining assets will take a significant amount of time to realise.

4 Joint Administrators' Remuneration

- 4.1 The relevant creditors approved that the basis of the Joint Administrators' remuneration be fixed by reference to the time properly spent by them and their staff in managing the Administration.
- 4.2 The Joint Administrators' time costs for the period 23 February 2011 to 22 August 2011 are £72,697. This represents 279 hours at an average rate of £260 per hour. Attached at Appendix B is a Time Analysis which provides details of the activity costs incurred by staff grade during this period. Approval of the Joint Administrators' remuneration has been sought in accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986 as amended.
- 4.3 Approval was obtained from the Bank and the preferential creditors as it is anticipated that the Company has insufficient property to enable a distribution to be made to unsecured creditors.
- 4.4 Time costs for the cumulative period from 23 February 2009 to 22 August 2011 are £1.1 million. This represents 4,722 hours at an average rate of £235 per hour. Attached at Appendix C is a Time Analysis which provides details of the activity costs incurred by staff grade during this period.
- 4.5 To date, fees of £96,205 plus VAT have been drawn together with disbursements of £156 plus VAT.
- 4.6 Shown below is further information regarding the work which has been performed during the period of this report:
- **Administration and Planning** - Time has been incurred dealing with statutory duties and formulating the ongoing strategy in respect of the Administration. Cash accounting time is also recorded here.
 - **Realisation of Assets** - Time has been spent liaising with interested parties, our agent and legal advisors in respect of marketing, evaluating offers and progressing offers received.
 - **Creditors** - A number of hours have been spent corresponding with creditors and reporting to the Bank and the Company's creditors.
- 4.7 Attached at Appendix D is additional information in relation to the Joint Administrators' policy on staffing, the use of sub-contractors, disbursements and details of their current charge-out rates by staff grade.

5 Estimated Outcome for Creditors

Secured Creditor - Bank of Scotland plc

- 5.1 The Company's indebtedness to the Bank at the date of the Joint Administrators' appointment was in excess of £41 million under a cross collateralised revolving security facility with other group companies also in Administration. Credit balances in several bank accounts totalling approximately £4 million have been offset against this debt; however interest and charges continue to accrue. The assets available in the insolvent group companies, when realised, will be insufficient to repay the Bank in full and it is anticipated that the Bank will suffer a significant shortfall.
- 5.2 To date, the sums of £4.9 million and £1.2 million have been distributed to the Bank under its fixed and floating charge respectively.

Preferential Creditors

- 5.3 Preferential claims from former employees in respect of arrears of wages and holiday pay total £39,720. Preferential creditors were paid a dividend totalling one hundred pence in the pound on 19 January 2011.

Unsecured Creditors

- 5.4 Pursuant to Section 176A of the Insolvency Act 1986, where there is a floating charge which post dates 15 September 2003, the Joint Administrators are required to create a prescribed part fund from the Company's net property available for the benefit of unsecured creditors.
- 5.5 As the Company granted a floating charge to the Bank before 15 September 2003, there is no requirement for the creation of such a fund.

6 Extending the Administration

- 6.1 It was anticipated that there would be insufficient time to realise the remaining assets prior to the expiry of the Administration Order on 22 August 2011. As the Joint Administrators would therefore have been unable to achieve the objective of the Administration prior to this date they applied to the Court to request approval to extend the Administration Order by a further 12 months to 22 August 2012. This application was accepted and the Administration has been extended to 22 August 2012.

7 Ending the Administration

- 7.1 The Joint Administrators think that the Company has no property which might permit a distribution to its unsecured creditors and therefore, we propose filing a notice together with our final progress report at Court and with the Registrar of Companies for the dissolution of the Company. We shall send copies of these documents to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.
- 7.2 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

8 Next Report

- 8.1 The Joint Administrators are required to provide a progress report within six weeks of the end of the next six month period of the Administration, or the date they cease to act as Administrators, if earlier.

For and on behalf of
FM Developments Limited



Anne O'Keefe
Joint Administrator

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**Receipts and Payments Account for the Period from
23 February 2011 to 22 August 2011 and a
Cumulative Account for the Period from
23 February 2009 to 22 August 2011**

Appendix A

Statement of Affairs		From 23/02/2011 To 22/08/2011	From 23/02/2009 To 22/08/2011
£		£	£
	RECEIPTS		
1,640,247	Freehold Property & Land	5,910,000	8,556,500
	Rent	3,271	23,730
	Bank Interest	7,225	22,785
	Suspense Account	15,243	15,243
383,521	Investments	-	10,000
	Rates Refund	738	1,898
2,000	Furniture & Equipment	25	25
	Utility Refund	-	25
	VAT Refund	-	23,888
2,844	Cash at Bank	-	10,748
	Insurance Claim	-	197
	Sundry Refunds	108	4,337
	Service Charge Income	-	301
	Funds due to FM Property & Leisure Ltd - Ury Estate	150,000	150,000
		<u>6,086,610</u>	<u>8,819,678</u>
	PAYMENTS		
	Heat & Light	-	329
	Telephone	-	2,183
	Security Costs	-	234,169
	Professional Fees	374	7,187
	IT Costs	-	305
	Repairs & Maintenance	-	21,407
	Sundry Expenses	-	1,001
	Wages	-	152,323
	PAYE/NIC	-	72,647
	Pension	-	13,808
	Employee Benefits	-	1,427
	Sub-Contractors	-	1,207
	Payroll Costs	-	1,200

PAYMENTS (CONT)

Repayable Loan Account	56,182	274,037
Bank Charges	25	1,736
Administrators' Fees	96,205	96,205
Legal Fees	12,065	264,843
Agent's/Valuer's Fees	-	165,811
Registers of Scotland Fees	-	15
Quantity Surveying Costs	-	38,576
Payment to Dovecot Tenant	27,500	27,500
Paid to Chargeholder	-	4,919,863
Bordereau Costs	-	30
Courier Costs	45	111
Stationary & Postage	422	1,753
Storage Costs	-	7,697
Re-Direction of Mail	-	103
Statutory Advertising	-	104
Advertising Parking Spaces	675	1,016
Rates	-	4,565
Audit Fees	1,500	1,500
Landlord Registration Fees	-	132
Wage Arrears & Holiday Pay	-	19,896
Redundancy Payments Service	-	13,416
Tax/Ni Deductions on Preferential Claims	-	6,408
Floating Charge Creditor	1,210,548	1,210,548
	<u>(1,405,541)</u>	<u>(7,565,057)</u>
BALANCE	<u>4,681,069</u>	<u>1,254,621</u>

REPRESENTED BY

Interest Bearing Accounts	1,327,567
VAT Payable	(72,946)
	<u>1,254,621</u>

Time Analysis for the Period from 23 February 2011 to 22 August 2011

Appendix B

	Employee Grade (Hours)							
	Partner / Director	Senior Associate	Associate / Analyst	Junior Analyst / Support	Total Hours	Total Cost	Average	
						£	Rate p/h	
Administration and Planning								
Accounting and Treasury	-	0.50	6.40	20.20	27.10	3,673.00	136	
Case Administration	-	1.00	1.00	7.40	9.40	1,322.00	141	
Internal Documentation	-	0.10	3.20	0.20	3.50	778.50	222	
Statutory Duties	-	0.20	3.10	0.90	4.20	877.50	209	
Strategy	13.50	12.70	11.00	5.30	42.50	13,100.50	308	
Investigations								
Internal Documentation	-	-	4.50	-	4.50	1,035.00	230	
Other Investigations	2.50	12.10	2.50	-	17.10	5,499.00	322	
Realisation of Assets Fixed Charge								
Asset Accounting and Administration	-	0.40	2.00	2.40	4.80	862.00	180	
Asset Identification and Valuation	4.00	7.00	0.80	0.50	12.30	3,806.50	309	
Asset Realisation Strategy	-	1.20	0.50	0.10	1.80	499.50	278	
Recovery of Assets	-	5.80	0.80	-	6.60	2,011.00	305	
Sale of Assets	2.00	17.40	1.20	-	20.60	6,647.00	323	
Realisation of Assets Floating Charge								
Asset Accounting and Administration	-	-	1.60	0.50	2.10	425.50	203	
Asset Identification and Valuation	-	2.00	8.60	-	10.60	2,608.00	246	
Asset Realisation Strategy	-	0.80	-	-	0.80	252.00	315	
Recovery of Assets	-	-	3.70	-	3.70	851.00	230	
Sale of Assets	1.00	11.00	3.20	-	15.20	4,646.00	306	
Trading								
Accounting and Administration	0.10	1.40	-	1.70	3.20	681.00	213	
Trading Activities	-	1.30	1.60	5.20	8.10	1,375.50	170	
Creditors								
Creditors Claims	-	-	-	0.20	0.20	23.00	115	
Creditor Meetings	-	0.70	-	1.50	2.20	393.00	179	
Litigation	-	0.60	-	-	0.60	189.00	315	
Reporting to Creditors	4.80	27.50	17.00	5.50	54.80	14,926.50	272	
Secured Creditors	-	8.80	9.90	-	18.70	5,045.00	270	
Unsecured Creditors	-	0.40	0.90	0.60	1.90	402.00	212	
Realisation of Asset - Debtors								
Debt Collections	-	2.00	-	-	2.00	630.00	315	
Internal and External Documentation	-	-	0.60	-	0.60	138.00	230	
	27.90	114.90	84.10	52.20	279.10	72,697.00	260	

Cumulative Time Analysis for the Period from 23 February 2009 to 22 August 2011

Appendix C

	Employee Grade (Hours)				Total Hours	Total Cost £	Average Rate p/h
	Partner / Director	Senior Associate	Associate / Analyst	Junior Analyst / Support			
Administration and Planning							
Accounting and Treasury	1.20	17.30	81.80	208.40	308.70	45,402.50	147
Case Administration	4.60	62.90	165.30	208.90	441.70	78,874.50	179
Internal Documentation	-	0.60	95.40	14.50	110.50	22,268.50	202
Statutory Duties	0.10	5.10	9.20	10.90	25.30	4,793.50	189
Strategy	245.40	264.40	299.30	59.10	868.20	254,731.00	293
Travel and Waiting Time	1.20	7.50	89.70	-	98.40	22,255.00	226
Investigations							
Directors' Conduct Reports	22.00	5.70	31.60	12.80	72.10	19,387.00	269
Internal Documentation	-	-	45.50	1.80	47.30	10,389.00	220
Other Investigations	105.80	114.80	265.00	132.10	617.70	145,577.50	236
Realisation of Assets Fixed Charge							
Asset Accounting and Administration	-	2.30	26.20	2.40	30.90	6,643.00	215
Asset Identification and Valuation	7.10	73.80	259.50	1.10	341.50	81,778.00	239
Asset Realisation Strategy	-	1.20	0.50	0.10	1.80	499.50	278
Recovery of Assets	-	5.80	15.30	-	21.10	5,221.00	247
Sale of Assets	43.60	173.10	132.00	-	348.70	99,538.50	285
Realisation of Assets Floating Charge							
Asset Accounting and Administration	-	-	32.00	1.40	33.40	7,217.50	216
Asset Identification and Valuation	-	20.90	72.80	-	93.70	22,395.00	239
Asset Realisation Strategy	-	0.80	-	-	0.80	252.00	315
Dealing with Third Party Assets	-	0.50	17.80	0.20	18.50	3,932.00	213
Recovery of Assets	-	-	12.40	-	12.40	2,765.00	223
Sale of Assets	1.00	31.50	50.50	-	83.00	21,185.00	255
Trading							
Accounting and Administration	5.20	2.40	36.40	30.00	74.00	13,984.00	189
Trading Activities	-	44.70	280.50	52.00	377.20	79,140.50	210
Creditors							
Creditors Claims	-	1.00	12.60	3.30	16.90	3,549.50	210
Creditor Committee	6.00	-	-	-	6.00	2,550.00	425
Creditor Meetings	-	25.50	84.10	37.90	147.50	29,747.50	202
Employees	-	2.70	49.90	9.20	61.80	12,409.50	201
Litigation	-	-	1.70	-	1.70	374.00	220
Internal Documentation	-	0.60	3.00	-	3.60	819.00	228
Reporting to Creditors	25.30	136.90	210.30	46.70	419.20	102,077.00	244
Secured Creditors	-	8.80	9.90	-	18.70	5,045.00	270
Unsecured Creditors	-	0.40	0.90	0.60	1.90	402.00	212
Realisation of Asset - Debtors							
Crown Debtors	-	0.20	3.70	0.80	4.70	925.50	197
Debt Collections	-	3.30	4.00	1.40	8.70	2,040.00	234
Internal and External Documentation	-	-	4.10	-	4.10	881.00	215
	468.50	1014.70	2402.90	835.60	4721.70	1,109,049.50	235

Additional Information in Relation to the Joint Administrators' Fees Pursuant to Statement of Insolvency Practice 9 (Scotland)

Appendix D

1 Policy

Detailed below is Zolfo Cooper's policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

1.1 Staff Allocation and the use of Sub-contractors

The Joint Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a Partner, a Senior Associate, an Associate and an Analyst. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Joint Administrators' charge out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, the Joint Administrators would advise that time spent by treasury in relation to specific tasks on an assignment is charged. Only if there is a large block of time incurred by a member of the secretarial team, e.g. report compilation and distribution, do the Joint Administrators seek to charge and recover their time in this regard.

The Joint Administrators have not utilised the services of any sub contractors in this case.

1.2 Professional Advisors

On this assignment the Joint Administrators have used the professional advisors listed below. The Joint Administrators have also indicated alongside, the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Dundas & Wilson LLP (legal advice)	Hourly rate and disbursements
Anderson Strathern LLP (legal advice)	Hourly rate and disbursements
DM Hall Chartered Surveyors (chartered surveyors)	Hourly rate and disbursements
Colleys (chartered surveyors)	Hourly rate and disbursements
Jardine Lloyd Thompson (insurance broker)	Risk based premium
Davis Langdon (valuation and disposal advice)	Fixed fee plus hourly rate and disbursements
Connors of Stonehaven (valuation and disposal advice)	Percentage of realisations
Savills (L&P) Limited (valuation and disposal advice)	Percentage of realisations plus hourly rate

The Joint Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Joint Administrators and their staff.

Category 2 disbursements do require prior approval by creditors before they are paid. If they are incurred, they will be drawn in accordance with the Joint Administrators' Proposals. Category 2 disbursements that may be incurred are as follows:

- Photocopying - charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying.

2 Charge Out Rates

A schedule of Zolfo Cooper charge-out rates effective from 1 January 2011 is detailed below.

Description	£
Partner/Director:	
Partner 1*	445
Partner 2*	395
Director	340
Senior Associate:	
Senior Associate 1*	315
Senior Associate 2*	265
Associate/Analyst:	
Associate	230
Analyst*	220
Junior Analyst and Support Staff:	
Junior Analyst*	115
Senior Treasury Associate	155
Treasury Associate	105
Treasury Analyst	80
Support	75
*Key	
<i>Partner 1 - Partners with 3 or more years experience at partner level</i>	
<i>Partner 2 - Partners with less than 3 years experience at partner level</i>	
<i>Senior Associate 1 - Staff who have been Senior Associates for over 2 years</i>	
<i>Senior Associate 2 - Staff who have been Senior Associates for less than 2 years</i>	
<i>Analyst - Staff who have been Analysts for more than 1 year</i>	
<i>Junior Analyst - First year Analysts</i>	