

Rule 2.38

Form 2.20B(Scot)

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)
Fraser Gray, Elizabeth Mackay and
Zolfo Cooper
Cornerstone
107 West Regent Street
Glasgow
G2 2BA

Anne O'Keefe
Zolfo Cooper
The Observatory
Chapel Walks
Manchester
M2 1HL

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

from

to

(b) Insert date(s)

23 August 2009

22 February 2010

Signed

Joint / Administrator(s)

Dated

23 / 3 / 10

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

Michael James
Zolfo Cooper
The Observatory
Chapel Walks
Manchester
M2 1HL

DX Number 0161 838 4500

DX Exchange

WEDNESDAY



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31/03/2010

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COMPANIES HOUSE

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

**Joint Administrators'
Progress Report**

**For the Period
23 August 2009 to 22 February 2010**

**FM Developments Limited -
In Administration**

23 March 2010



ZC ZOLFO COOPER



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1 Statutory Information

- 1.1 Fraser Gray, Elizabeth Mackay and I were appointed Joint Administrators of FM Developments Limited (the Company) on 23 February 2009. The application for the appointment of an Administrator was made by the Governor and Company of the Bank of Scotland plc (the Bank).
- 1.2 This Administration is being handled by Zolfo Cooper's offices in Glasgow and Manchester situated at the Cornerstone, Ground Floor, 107 West Regent Street, Glasgow, G2 2BA and The Observatory, Chapel Walks, Manchester, M2 1HL, respectively.
- 1.3 The Administration is registered in 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 is c/o Zolfo Cooper, Cornerstone, Ground Floor, 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 August 2009 to 22 February 2010 and cumulative from 23 February 2009 to 22 February 2010.
- 2.2 We 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 As previously advised, nine other group companies entered Administration on 23 February 2009. During the Administration period a number of repayable loans have been made between the group companies to allow payment of various costs. In the period of this report further loans totalling £139,271 had been made and £656,245 has been repaid to the Company. As a result, the Company's net loan account balance is £80,715 as shown at Appendix A. All group companies hold sufficient assets that, when realised, will repay the loans in full.
- 2.4 We are continuing to investigate what property is owned by the Company. It is anticipated that this process will be completed shortly.
- 2.5 All of the employees have now been made redundant.
- 2.6 Progress to date in respect of the Company's assets is shown below:

Ury Estate

- 2.7 At the date of the last progress report, we were taking professional advice in respect of the claim by John Forbes, director of the Company, that he was an agricultural tenant on the land. There are no formal tenancy documents in place and, having taken legal advice, this is not a position that we accept. An offer to acquire the site has been received and negotiations are continuing in this regard.

Inverbervie

- 2.8 As previously advised, we identified that one of the two plots of land at Inverbervie has had planning permission granted for one residential property to be built. A planning application had also been made by John Forbes and Partner for a second property to be built. We have recently been informed that this application is likely to be rejected.

We are now aware that John Forbes and Partner had also submitted a planning application for two properties to be built on the second plot of land. This application was approved prior to our appointment but has not yet been granted due to an outstanding planning application fee. This site may be included in a sale of the Ury Estate and as mentioned above, these negotiations are currently ongoing.

Kilmarnock

- 2.9 As previously advised, a sale of the Kilmarnock site completed on 3 September 2009 to Clowes Developments Limited for £600,000. The sale price was in excess of our agent's valuation.

Bispham House

- 2.10 At the date of the last progress report, a sale of Bispham House, Liverpool had been agreed, however completion was subject to the removal of two overage conditions specified in the contract. Following these conditions being satisfied, the sale completed on 3 December 2009 for £1.2 million, which was significantly in excess of our agent's valuation.

Pitliver Estate

- 2.11 As previously advised we accepted an offer that was in line with our agent's valuation. The sale completed on 30 September 2009 to Pitliver Estate Limited, a company set up by Jonathon Milne, a former director of the Company. The consideration received totalled £600,000.

Dovecot, Haddington

- 2.12 We have now obtained legal advice on the documentation relating to the option agreement tied to the bungalow and the surrounding land. Our agent's are investigating the optimal strategy for these assets to maximise realisations for creditors.

St John's Hill

- 2.13 A formal offer for the Company's 50% shareholding in the wind farm at St John's Hill was received from the joint venture partner, Airtricity Developments (UK) Ltd which was significantly below our agent's valuation. A full marketing exercise has commenced and a number of interested parties have been identified.

Berriedale

- 2.14 Following marketing of the property at Berriedale by Connors of Stonehaven, an offer was received and accepted. The property was subsequently sold on 27 November 2009 for £246,500.

Crail Airfield

- 2.15 Our investigations have established that the Company had entered into an option agreement with a third party to purchase land at this site, which included a part payment in advance for a total of £6 million. The Company holds security over the site as per the terms of the agreement. A condition of the option agreement was that the Company made a planning application, prior to the Administration, but there is no evidence this was done. A valuation of the site is being obtained at which point we will decide whether any future action will lead to realisations for creditors.

Overseas Subsidiaries

- 2.16 We have undertaken investigations into various overseas subsidiaries of the Company. There has been significant difficulty in identifying what assets are owned by these companies due to the lack of information in the Company's books and records. Investigations are ongoing in respect of these issues. There have been notes of interest in the Company's shareholdings in the overseas subsidiaries that we are currently progressing and will report further in our next report.

Other Assets

- 2.17 As previously advised, £10,000 has been realised from the sale of investments held by the Company.
- 2.18 A total of £4,415 has been realised in respect of rental income in the period of this report from various occupied properties owned by the Company. The total rent received in the Administration to date is £13,085. Two further option agreements have been recently been identified and these are currently being reviewed by our solicitors and agent.
- 2.19 Six car parking spaces in Edinburgh, previously thought to have been transferred to the FM Pension Scheme Company prior to Administration are still owned by the Company. Our agent has advised that these spaces could have a significant value and we intend to market the spaces.
- 2.20 Bank interest totalling £5,144 has been received in the period of this report. Bank interest to date is £5,170.
- 2.21 The Directors' Estimated Statement of Affairs indicates that at the date of Administration the Company was due almost £28.8 million (with an estimated to produce value of nil) from associated companies in both the UK and overseas. While we continue to investigate the recoverability of these debts, several of the companies are in administration and over £22 million is due from overseas subsidiaries that appear to have few, if any, assets and the remaining companies not in administration appear unlikely to pay at the current time.
- 2.22 We are currently in receipt of £10,748 in respect of cash at bank retained by the Company.
- 2.23 Following investigations into the recoverability of the remaining assets shown on the Directors' Estimated Statement of Affairs, being 'Furniture & Equipment' and 'Plant & Machinery,' it is not anticipated that any realisations are likely in this regard.
- 2.24 The 'Freehold Property, Stock and WIP,' figure shown on the Directors' Estimated Statement of Affairs is inclusive of the individual properties detailed above.

3 Assets still to be Realised

- 3.1 As detailed in Section 2, the Joint Administrators are continuing to pursue a sale of a number of assets owned by the Company. As the objective of the Administration cannot be met within the one year statutory timescale, approval has been obtained from the Company's secured and a majority of preferential creditors that the Administration be extended for a period of six months to 22 August 2010.

4 Administrators' Remuneration

- 4.1 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 August 2009 to 22 February 2010 are £307,307. This represents 1399 hours at an average rate of £220 per hour. Cumulative time costs to 22 February 2010 are £808,161. This represents 3,484 hours at an average rate of £232 per hour.
- 4.3 Attached at Appendix B and C are Time Analyses which provide details of the activity costs incurred by staff grades during the periods 23 August 2009 to 22 February 2010 and cumulative to 22 February 2010. Approval of the Joint Administrators' remuneration will be sought in accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986.
- 4.4 The Joint Administrators have yet to take any fees in this case.
- 4.5 Below is further information regarding the work which has been performed during the Administration;

- **Administration and Planning** - A significant amount of time has been spent formulating and implementing case strategy to deal with various complex issues that have arisen since the date of the Joint Administrators' Appointment. Time has also been spent reporting to the Bank and the Company's creditors together with ensuring all statutory requirements are met.
- **Realisation of Assets** - A large amount of time has been spent pursuing a sale of the Company's assets. This time includes meeting security requirements, liaising with insurance providers, legal advisors and agents and corresponding with interested parties.
- **Trading** - The majority of the time relates to work to assist the realisation of assets under the standard security.
- **Creditors** - A number of hours have been spent corresponding with the Company's creditors and dealing with various specific queries.
- **Investigations** - A number of hours have been spent investigating the affairs of the Company prior to the Joint Administrators' Appointment.

4.6 Attached as Appendix D is additional information in relation to our policy on staffing, the use of sub-contractors, disbursements and details of our current charge-out rates by staff grade.

5 Estimated Outcome for Creditors

5.1 As stated in previous reports, the Bank's indebtedness 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 which are also in Administration. The bank has offset this with over £4 million of credit balances held in the companies accounts at the date of Administration. Interest and charges, however, have continued to accrue on the outstanding balance. The Bank is expected to suffer a significant shortfall in respect of this security.

5.2 It is currently anticipated that preferential creditors will be paid in full and claims are in the process of being agreed.

5.3 The Company granted a floating charge to the Bank on 23 June 2003. This is prior to the implementation of the Enterprise Act 2002 and therefore there is no requirement for a prescribed part fund to be set aside for the benefit of unsecured creditors.

5.4 It is not anticipated that there will be sufficient funds to enable a dividend to be paid to the unsecured creditors of the Company.

6 Ending the Administration

6.1 If, as is currently expected, there are insufficient funds to enable a dividend to be paid to the unsecured creditors of the Company the Joint Administrators will file a notice together with a final progress report at Court and with the Registrar of Companies for the dissolution of the Company. Copies of these documents will be sent to the Company and its creditors. The appointment will end following the registration of the notice by the Registrar of Companies.

6.2 In the unlikely event that the Joint Administrators think a dividend will be paid to the unsecured creditors they will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation (CVL). It is proposed that the Joint Administrators will also become the Joint Liquidators of the CVL.

6.3 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

7 Next Report

- 7.1 The Joint Administrators are required to provide a progress report within six weeks of the end of the next six months of the Administration, or earlier if the Administration has been finalised.

For and on behalf of
FM Developments Limited

A handwritten signature in black ink, appearing to read 'A O'Keefe', written in a cursive style.

Anne O'Keefe
Joint Administrator

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Receipts and Payments Account for the period from 23 August 2009 to
22 February 2010 and Cumulative from 23 February 2009 to 22
February 2010

Appendix A

	Statement of affairs £	From 23/08/2009 To 22/02/2010 £	From 23/02/2009 To 22/02/2010 £
RECEIPTS			
Freehold Property, Stock and WIP	4,040,247	2,646,500	2,646,500
Rent		4,415	13,085
Investments	383,521	0	10,000
Rates Refund		0	1,161
Plant & Machinery	600	0	0
Furniture & Equipment	2,000	0	0
Cash at Bank	2,844	111	10,748
Insurance Claim		0	197
Bank Interest		5,144	5,170
Service Charge Income		301	301
Sundry Refunds		1,999	4,229
		<u>2,658,470</u>	<u>2,691,391</u>
PAYMENTS			
Sub-Contractors Costs		0	1,205
Heating & Lighting Costs		116	196
Telephone Costs		711	2,009
Security Costs		116,277	215,682
Rates		4,078	4,078
Professional Fees		2,333	3,951
IT Costs		0	305
Repairs & Maintenance		11,180	20,063
Sundry Expenses		311	1,001
Wages		28,026	152,323
PAYE/NIC		11,826	72,646
Pension Contributions		1,723	13,808
Payroll Costs		1,200	1,200
Employee Benefits		500	1,427
Repayable Loan Account		0	80,715
Bank Charges		347	1,712
Legal Fees		209,951	216,249
Agents/Valuers Fees		116,044	116,217
Registers of Scotland Fees		0	15
Quantity Surveying Costs		7,789	7,789
Due to Chargeholder		0	69,853
Courier Costs		20	67
Bordereau Costs		0	30
Stationary & Postage		243	793
Landlord Registration Fees		132	132
Storage Costs		883	7,697
Re-Direction of Mail		53	103
Statutory Advertising		0	104
		<u>513,743</u>	<u>991,370</u>
BALANCE			<u>1,700,021</u>
MADE UP AS FOLLOWS			
Interest Bearing Accounts			1,649,098
VAT Receivable			61,809
VAT Control Account			(10,886)
			<u>1,700,021</u>

Please note that as the Company is part of the same VAT group as nine other insolvent group companies, VAT returns are processed centrally through the Company. The sum of £10,886 shown above is due to the other group Companies and will be allocated shortly.

Time Analysis for the Period from 23 August 2009 to 22 February 2010

Appendix B

	Employee Grade (Hours)					(£'s)	
	Partner/ Director	Senior Associate	Associate / Analyst	Jnr Analyst/ Support	Total Hours	Total Cost	Average Rate p/h
Administration and Planning							
Strategy and Control	31.1	38.3	45.4	30.5	145.3	37,648.5	259
Bank and Creditor Reporting	8.3	21.3	56.5	20.7	106.8	24,062.5	225
Statutory Duties	-	4.0	1.1	1.0	6.1	1,542.5	253
Job Administration	0.9	17.7	46.2	48.6	113.4	20,766.0	183
Cash Accounting and Time Records	0.7	5.5	27.8	56.0	90.0	13,789.5	153
Travel and Waiting Time	1.2	7.5	-	-	8.7	2,700.0	310
Internal Documentation and IT	-	0.4	19.9	10.9	31.2	5,525.0	177
Investigations							
D Reports	9.5	1.5	16.6	9.8	37.4	9,185.5	246
Other Investigations	82.7	43.2	233.8	118.4	478.1	105,978.5	222
Internal Documentation	-	-	2.5	0.6	3.1	596.0	192
Realisation of Assets - Fixed Charge							
Initial Actions and Valuations	-	17.8	60.1	-	77.9	18,488.0	237
Sale of Assets	13.5	29.8	43.8	-	87.1	24,272.5	279
Insurance	-	1.4	10.6	0.1	12.1	2,716.0	224
Internal and External Documentation	-	1.5	6.6	-	8.1	1,844.0	228
Realisation of Assets - Debtors							
Debt Collection	-	1.2	3.2	-	4.4	1,057.0	240
Internal and External Documentation	-	-	2.2	-	2.2	462.0	210
Realisation of Assets - Floating Charge							
Initial Actions and Valuations	-	8.2	21.8	-	30.0	7,256.0	242
Sale of Assets	-	2.6	12.3	-	14.9	3,458.0	232
Retention of Title	-	-	0.5	-	0.5	110.0	220
Hire Purchase / Leased Assets	-	-	1.6	-	1.6	343.0	214
Internal and External Communication	-	-	0.5	0.5	1.0	165.0	165
Trading							
Initial Actions	-	1.3	5.5	-	6.8	1,592.0	234
Cash Accounting	1.4	0.1	5.3	6.1	12.9	2,428.0	188
Ongoing Trading Activities	-	1.0	30.6	20.3	51.9	9,078.0	175
Internal and External Communication	-	-	3.0	9.6	12.6	1,686.0	134
Creditors							
Creditor Dealings	-	5.9	13.7	11.8	31.4	5,990.0	191
Creditor claims	-	0.6	-	-	0.6	180.0	300
Internal Documentation	-	-	1.1	0.8	1.9	325.0	171
Employees	-	0.7	15.4	4.9	21.0	4,063.0	193
Totals	149.3	211.5	687.6	350.6	1,399.0	307,307.5	220

Cumulative Time Analysis for the Period from 23 February 2009 to 22 February 2010

Appendix C

	Employee Grade (Hours)					(£'s)	
	Partner/ Director	Senior Associate	Associate / Analyst	Jnr Analyst/ Support	Total Hours	Total Cost	Average Rate p/h
Administration and Planning							
Strategy and Control	180.5	214.3	252.9	40.7	688.4	199,219.5	289
Bank and Creditor Reporting	13.8	33.6	145.5	30.5	223.4	49,937.0	224
Creditors Committee	6.0	-	-	-	6.0	2,550.0	425
Statutory Duties	0.1	4.0	5.2	6.6	15.9	3,077.0	194
Job Administration	3.7	44.7	149.9	164.1	362.4	64,760.0	179
Cash Accounting and Time Records	1.1	9.9	51.3	100.5	162.8	24,990.5	154
Travel and Waiting Time	1.2	7.5	89.7	-	98.4	22,255.0	226
Internal Documentation and IT	-	0.4	76.1	11.5	88.0	17,616.0	200
Investigations							
D Reports	9.5	2.4	21.5	12.8	46.2	10,822.5	234
Other Investigations	87.2	43.5	251.9	130.2	512.8	113,033.0	220
Internal Documentation	-	-	5.1	1.8	6.9	1,293.0	187
Realisation of Assets - Fixed Charge							
Initial Actions and Valuations	3.0	48.4	189.0	-	240.4	57,118.0	238
Sale of Assets	38.0	134.9	123.1	-	296.0	83,432.0	282
Insurance	-	8.6	38.4	0.1	47.1	10,863.0	231
Internal and External Documentation	-	1.9	13.6	-	15.5	3,446.0	222
Realisation of Assets - Debtors							
Debt Collection	-	1.3	4.0	-	5.3	1,255.0	237
Crown Debtors	-	0.2	0.2	-	0.4	102.0	255
Internal and External Documentation	-	-	2.7	-	2.7	567.0	210
Realisation of Assets - Floating Charge							
Initial Actions and Valuations	-	12.9	36.9	-	49.8	11,976.0	240
Sale of Assets	-	11.6	18.6	-	30.2	7,544.0	250
Insurance	-	-	2.3	-	2.3	483.0	210
Retention of Title	-	-	5.3	-	5.3	1,118.0	211
Hire Purchase / Leased Assets	-	0.5	12.5	-	13.0	2,792.0	215
Litigation	-	-	4.2	-	4.2	924.0	220
Internal and External Communication	-	-	0.7	0.5	1.2	207.0	173
Trading							
Initial Actions	-	41.5	62.8	-	104.3	26,184.0	251
Cash Accounting	4.2	0.1	11.4	7.1	22.8	5,009.0	220
Ongoing Trading Activities	-	1.7	204.7	27.5	233.9	46,987.0	201
Internal and External Communication	-	-	24.2	16.7	40.9	6,957.0	170
Creditors							
Creditor Dealings	-	7.1	71.0	19.0	97.1	19,236.0	198
Creditor claims	-	0.6	4.2	-	4.8	1,074.0	224
Internal Documentation	-	-	1.1	1.0	2.1	347.0	165
Employees	-	2.0	45.7	6.3	54.0	10,986.0	203
Totals	348.3	633.6	1,925.7	576.9	3,484.5	808,160.5	232

Additional Information in Relation to Administrators' Fees Pursuant to
Statement of Insolvency Practice 9

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

Our general approach to resourcing our 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, Senior Associate, Associate and 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. Our charge out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, we would advise that time spent by cashiers 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 we seek to charge and recover our time in this regard.

We have not utilised the services of any sub-contractors in this case.

1.2 Professional Advisors

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

Name of Professional Advisor	Basis of Fee Arrangement
Dundas & Wilson (legal advice)	Hourly rate and disbursements
Anderson Strathern LLP (legal advice)	Hourly rate and disbursements
DM Hall (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 (valuation and disposal advice)	Percentage of realisations plus hourly rate

Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our 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 personnel in connection with the case.

2 Charge-out Rates

A schedule of Zolfo Cooper charge-out rates effective from 1 January 2010 is detailed below.

Regional Standard Rates	(Per hour) £
Partner/Director:	
Partner 1*	425
Partner 2*	375
Director	325
Senior Associate:	
Senior Associate 1*	300
Senior Associate 2*	250
Associate/Analyst:	
Associate	220
Analyst*	210
Junior Analyst and Support Staff:	
Junior Analyst*	110
Senior Treasury Associate	150
Treasury Associate	100
Treasury Analyst	75
Support	70
*Key	
Partner 1 - Partners with 3 or more years experience at partner level	
Partner 2 - Partners with less than 3 years experience at partner level	
Senior Associate 1 - Staff who have been Senior Associates for over 2 years	
Senior Associate 2 - Staff who have been Senior Associates for less than 2 years	
Analyst - Staff who have been Analysts for more than 1 year	
Junior Analyst - First year Analyst	



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