

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)
F J Gray & E G Mackay
Zolfo Cooper
Cornerstone
107 West Regent Street
Glasgow
G2 2BA

A 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 August 2010

(b) 22 February 2011

Signed

Joint / Administrator(s)

Dated

Contact Details:

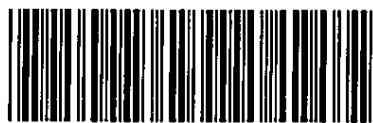
You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the public record

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SCT 25/03/2011 256
COMPANIES HOUSE

de

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

FRIDAY

Joint Administrators' Progress Report for the Period 23 August 2010 to 22 February 2011

FM Developments Limited - In
Administration

23 March 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 Glasgow office, situated at Cornerstone, 107 West Regent Street, Glasgow, G2 2BA.
- 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 Accounts for the period from 23 August 2010 to 22 February 2011 together with a Cumulative Receipts and Payments Account for the period from 23 February 2009 to 22 February 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 are available in the respective group companies. In the period of this report net loan payments totalling £88,089 have been made by the Company. The loan account balance currently stands at £217,855 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, our legal advisor has continued to liaise with the proposed purchaser's solicitor to resolve the legal issues surrounding the sale. An option to purchase the site has been issued to the proposed purchaser giving a deadline for completion of a sale by 31 May 2011. We understand the purchaser is however aiming to complete the sale by the end of April 2011. Should the proposed purchaser not complete by the expiry of the option agreement we will place the site on the open market. Until a sale has completed we are not in a position to disclose the details of the offer.

Inverbervie

- 2.6 An offer to purchase the land at Inverbervie has been made, however it is below the valuation provided by our agent and we are in discussions with the Bank who have security over the asset on the merits of the offer or re-marketing the site. A closing date for offers was set for 18 March 2011 and further details regarding offers received will be provided in our next report.

Kilmarnock

- 2.7 The sale of the Kilmarnock site completed on 3 September 2009 for £600,000.

Bispham House

- 2.8 The sale of Bispham House completed on 3 December 2009 for £1.2 million.

Pitliver Estate

- 2.9 Pitliver Estate was sold to Pitliver Estate Limited, a company set up by Jonathon Milne, former Director of the Company, on 30 September 2009 for £600,000.

Dovecot, Haddington

- 2.10 The bungalow at Dovecot is currently tenanted and we have been in discussions with the tenant to establish his interest in purchasing the property. An offer was received from the tenant however this was significantly below the valuation provided by Savills and was subsequently rejected. It appears that there is no formal lease agreement in place with the tenant who is also not paying rent. We have therefore taken legal advice on our options and have served a notice to vacate by 20 April 2011 to the tenant.
- 2.11 Following the resolution of this issue the property will be marketed for sale.

St John's Hill

- 2.12 A revised offer was received from one of the interested parties in the site and has been accepted in principle. Negotiations with this party in respect of the terms of the sale and the various technical issues surrounding the wind turbines are ongoing. We have recently received a further note of interest in the shareholding and are following up this interest accordingly. Any sale will require the consent of the Joint Venture partner, Airtricity.

Berriedale

- 2.13 The sale of the property at Berriedale completed on 27 November 2009 for £246,500.

Overseas Subsidiaries

- 2.14 Investigations into the financial position of the overseas companies are ongoing, however we are still not able to establish the value of the assets that lie within these companies. Until this time we are unable to accept any offers to purchase the shares in these companies.

Car Parking Spaces

- 2.15 The shares in the six parking spaces have been valued and are being marketed for sale. To date, we have received a number of enquiries regarding the spaces and have received

formal notes of interest in respect of two of the spaces. We are following up this interest and continuing to market all six spaces in the local press. If insufficient interest is generated we will appoint a local sales agent to generate further interest to ensure maximum realisations are achieved.

Other Assets

- 2.16 Rental income totalling £4,415 has been received in this period. Rent collected during the entire Administration period now totals £20,663.
- 2.17 Bank interest totalling £4,144 has been received in the period of this report, bringing total realisations from this source to £14,963.

3 Assets still to be Realised

- 3.1 As detailed above, 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 August 2010 to 22 February 2011 are £113,414. This represents 448 hours at an average rate of £253 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 will be sought in accordance with Rule 2.39 of the Insolvency (Scotland) Rules 1986 as amended.
- 4.3 Approval will be sought 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 Attached at Appendix C is a Cumulative Time Analysis for the Period 23 February 2009 to 22 February 2011 which provides details of the activity costs incurred by staff grade since the Joint Administrators appointment.
- 4.5 To date, no fees or disbursements have been drawn on account.
- 4.6 Shown below is further information regarding the work which has been performed during the period of this report:
- **Administration and Planning** - Time incurred in this category includes statutory duties and formulating the ongoing strategy in respect of the Administration. Cash accounting time is also recorded here.
 - **Investigations** - A number of hours have been spent investigating the Company's dealings prior to our appointment.
 - **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 dealing with creditor correspondence and reporting to the Bank and 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

- 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 sum of £365,543 has been distributed from the Company to the Bank under this security.

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' Fund

- 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 Joint Administrators to create such a fund.

Unsecured Creditors

- 5.6 Based on current information there will be insufficient funds to enable a dividend to be paid to the unsecured creditors of the Company.

6 Ending the Administration

- 6.1 If, as it is currently expected, there are insufficient funds to enable a dividend to be paid to the unsecured creditors, the Joint Administrators propose filing a notice together with their final progress report at Court and with the Registrar 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

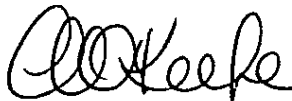
Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation (CVL). It is proposed that the Joint Administrators will also become the Joint Liquidators of the CVL.

- 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 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 August 2010 to 22 February 2011 and a
Cumulative Account for the Period from 23
February 2009 to 22 February 2011**

Appendix A

Statement of Affairs	From 23/08/2010 To 22/02/2011	From 23/02/2009 To 22/02/2011
RECEIPTS		
1,640,247 Freehold Property & Land	-	2,646,500
Rent	4,415	20,663
Rates Refund	-	1,161
600 Plant & Machinery	-	-
2,000 Furniture & Equipment	-	-
2,400,000 Stock/WIP	-	-
383,521 Investments	-	10,000
Utility Refund	-	25
VAT Refund	-	23,888
2,844 Cash at Bank	-	10,748
Insurance Claim	-	197
Bank Interest	4,144	14,963
Sundry Refunds	-	4,229
Service Charge Income	-	301
	8,559	2,732,676
PAYMENTS		
Heat & Light	134	329
Telephone	-	2,183
IT Costs	-	305
Repairs & Maintenance	-	21,407
Security Costs	-	234,169
Professional Fees	-	6,813
Wages	-	152,323
PAYE/NIC	-	72,647
Pension	-	13,808
Employee Benefits	-	1,427
Sub-Contractors	-	1,207
Payroll Costs	-	1,200
Preferential Claims - Wage Arrears & Holiday Pay	19,896	19,896
Preferential Claim - Redundancy Payments Service	13,416	13,416
Tax/NI Deductions on preferential claims	6,408	6,408
Repayable Loan Account	88,089	217,855
Bank Charges	-	1,711
Legal Fees	13,915	252,777
Agents/Valuers Fees	30,247	165,811
Registers of Scotland Fees	-	15
Paid to Chargeholder	27,788	365,543
Bordereau Costs	-	30
Courier Costs	-	67
Stationery & Postage	275	1,332
Storage Costs	-	7,697
Re-Direction of Mail	-	103
Statutory Advertising	-	104
Advertising - Parking Spaces	341	341
Rates	-	4,565
Landlord Registration Fees	-	132
Sundry Expenses	-	1,001
Quantity Surveying Costs	-	38,576
	(200,509)	(1,605,196)
BALANCE	(191,950)	1,127,479
REPRESENTED BY		
Interest Bearing Accounts		1,122,343
VAT Receivable		5,136
		1,127,479

Time Analysis for the Period from 23 August 2010 to 22 February 2011

Appendix B

	Employee Grade (Hours)				Total Hours	(£'s)	
	Partner / Director	Senior Associate / Associate	Associate / Analyst	Jnr Analyst / Support		Total Cost	Average Rate p/h
Administration and Planning							
Strategy and Control	31.5	14.5	10.7	4.1	60.8	20,798.50	342
Statutory Duties	0.0	0.2	0.2	1.4	1.8	259.00	144
Job Administration	0.1	1.9	4.4	11.7	18.1	2,867.50	158
Cash Accounting and Time Records	0.1	4.1	5.4	37.0	46.6	6,539.50	140
Internal Documentation and IT	0.0	0.0	8.8	1.1	9.9	2,054.00	207
Investigations							
D Reports	11.0	0.0	0.0	0.0	11.0	4,715.00	429
Other Investigations	11.0	51.1	6.0	0.4	68.5	21,711.50	317
Internal Documentation	0.0	0.0	19.5	0.0	19.5	4,353.00	223
Realisation of Assets - Fixed Charge							
Initial Actions and Valuations	1.5	5.3	8.9	0.5	16.2	4,322.50	267
Sale of Assets	0.0	6.4	1.5	0.0	7.9	2,275.50	288
Insurance	0.1	0.0	0.3	0.0	0.4	111.50	279
Litigation	0.0	0.0	14.5	0.0	14.5	3,210.00	221
Internal and External Documentation	0.0	0.0	7.0	0.0	7.0	1,543.00	220
Realisation of Assets - Debtors							
Debt Collection	0.0	0.0	0.0	0.2	0.2	23.00	115
Crown Debtors	0.0	0.0	1.2	0.2	1.4	274.50	196
Internal and External Documentation	0.0	0.0	0.8	0.0	0.8	176.00	220
Realisation of Assets - Floating Charge							
Initial Actions and Valuations	0.0	3.8	7.0	0.0	10.8	2,720.00	252
Sale of Assets	0.0	3.7	12.6	0.0	16.3	3,893.00	239
Hire Purchase / Leased Assets	0.0	0.0	0.0	0.2	0.2	22.00	110
Litigation	0.0	0.0	4.5	0.0	4.5	990.00	220
Internal and External Communications	0.0	0.0	20.3	0.4	20.7	4,517.00	218
Trading							
Cash Accounting	0.2	0.8	0.0	0.2	1.2	360.50	300
Ongoing Trading Activities	0.0	0.2	5.1	5.2	10.5	1,703.00	162
Internal and External Communications	0.0	0.0	0.0	0.8	0.8	88.00	110
Creditors							
Bank and Creditor Reporting	1.0	41.6	17.3	3.8	63.7	17,188.00	270
Creditor Dealings	0.0	3.1	2.0	6.5	11.6	2,102.50	181
Creditor Claims	0.0	0.0	11.4	3.1	14.5	2,962.50	204
Internal Documentation	0.0	0.0	1.7	0.0	1.7	372.00	219
Employees	0.0	0.8	3.6	2.3	6.7	1,261.50	188
Totals	56.5	137.5	174.7	79.1	447.8	113,414.00	253

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

Appendix C

	Employee Grade (Hours)				Total Hours	(£'s)	
	Partner / Director	Senior Associate / Associate	Jnr Analyst / Analyst	Support		Total Cost	Average Rate p/h
Administration and Planning							
Strategy and Control	228.9	251.6	287.5	53.8	821.8	240,194.50	292
Statutory Duties	0.1	4.9	6.1	9.9	21.0	3,905.00	186
Job Administration	6.1	62.0	165.1	201.3	434.5	78,296.00	180
Cash Accounting and Time Records	1.2	16.7	77.1	186.4	281.4	41,687.00	148
Travel and Waiting Time	1.2	7.5	89.7	0.0	98.4	22,255.00	226
Internal Documentation and IT	0.0	0.4	91.2	13.1	104.7	21,108.00	202
Investigations							
D Reports	22.0	5.7	31.6	12.8	72.1	19,387.00	269
Other Investigations	102.8	102.4	262.5	132.1	599.8	139,761.50	233
Internal Documentation	0.0	0.0	31.0	1.8	32.8	7,054.00	215
Realisation of Assets - Fixed Charge							
Initial Actions and Valuations	4.5	58.2	215.7	1.3	279.7	66,794.50	239
Sale of Assets	41.6	155.7	130.8	0.0	328.1	92,891.50	283
Insurance	0.1	8.6	41.8	0.1	50.6	11,656.50	230
Litigation	0.0	0.0	14.5	0.0	14.5	3,210.00	221
Internal and External Documentation	0.0	1.9	24.2	0.0	26.1	5,781.00	221
Realisation of Assets - Debtors							
Debt Collection	0.0	1.3	4.0	1.4	6.7	1,410.00	210
Crown Debtors	0.0	0.2	3.7	0.8	4.7	925.50	197
Internal and External Documentation	0.0	0.0	3.5	0.0	3.5	743.00	212
Realisation of Assets - Floating Charge							
Initial Actions and Valuations	0.0	18.9	63.1	0.0	82.0	19,580.00	239
Sale of Assets	0.0	20.5	47.3	0.0	67.8	16,539.00	244
Insurance	0.0	0.0	2.3	0.0	2.3	483.00	210
Retention of Title	0.0	0.0	5.3	0.0	5.3	1,118.00	211
Hire Purchase / Leased Assets	0.0	0.5	12.5	0.2	13.2	2,814.00	213
Litigation	0.0	0.0	8.7	0.0	8.7	1,914.00	220
Internal and External Communications	0.0	0.0	30.4	0.9	31.3	6,792.00	217
Trading							
Initial Actions	0.0	41.5	63.3	2.2	107.0	26,531.00	248
Cash Accounting	5.1	1.0	11.6	8.8	26.5	5,906.00	223
Ongoing Trading Activities	0.0	1.9	215.6	44.6	262.1	51,234.00	195
Internal and External Communications	0.0	0.0	24.8	19.5	44.3	7,397.00	167
Creditors							
Bank and Creditor Reporting	20.5	109.4	194.1	41.3	365.3	87,337.50	239
Creditors Committee	6.0	0.0	0.0	0.0	6.0	2,550.00	425
Creditor Dealings	0.0	24.7	81.3	35.6	141.6	28,624.50	202
Creditor Claims	0.0	1.0	15.6	3.1	19.7	4,156.50	211
Litigation	0.0	0.0	1.7	0.0	1.7	374.00	220
Internal Documentation	0.0	0.0	2.8	1.0	3.8	719.00	189
Employees	0.0	2.8	49.9	9.2	61.9	12,439.50	201
Totals	440.1	899.3	2,310.3	781.2	4,430.9	1,033,569.00	233

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**

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 Analysts