

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

We

F J Gray
Cornerstone
107 West Regent Street
Glasgow
G2 2BA

E G Mackay
Cornerstone
107 West Regent Street
Glasgow
G2 2BA

A C O'Keefe
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

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

from

to

23 February 2015

22 August 2015

Signed

Joint Administrator

Dated

16. 9. 15

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 register.

Jack Worthington
AlixPartners
The Zenith Building
26 Spring Gardens
Manchester, M2 1AB

DX Number

+44 (0) 161 838 4500
DX Exchange

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



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THURSDAY

Administrators' Progress Report for the period 23 February 2015 to 22 August 2015

FM Developments Limited
In Administration

16 September 2015

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1 Statutory information

- 1.1 Please note that following the recent completion of a sale of the Zolfo Cooper Europe business to AlixPartners, Zolfo Cooper's European Insolvency practice will be operating under the AlixPartners' brand name going forward.
- 1.2 Anne O'Keefe of AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB was appointed Administrator of FM Developments Limited (the **Company**) together with Fraser Gray and Elizabeth Mackay both of AlixPartners, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA on 23 February 2009 by Bank of Scotland plc, The Mound, Edinburgh, EH1 1YZ (the **Bank**).
- 1.3 The Administration is being handled by AlixPartners' Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 1.4 The Administration is registered in the Edinburgh Court of Session and no reference number was provided.
- 1.5 The trading address of the Company was 9 Great Stuart Street, Edinburgh, Midlothian, EH3 7TP.
- 1.6 The registered office of the Company has been changed to Cornerstone, 107 West Regent Street, Glasgow, G2 2BA and the registered number is SC172175.
- 1.7 In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

2 Progress of the Administration

- 2.1 This report should be read in conjunction with the Administrators' Statement of Proposals dated 20 April 2009 (the **Proposals**) and all subsequent progress reports.
- 2.2 Attached at Appendix A is the Administrators' Receipts and Payments Account for the period 23 February 2015 to 22 August 2015 (the **Period**), together with a Cumulative Account for the period since appointment.
- 2.3 As detailed in the Proposals, the second objective of an administration was initially being pursued; being to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).
- 2.4 As advised in previous reports the Administrators reviewed the strategy and subsequently decided to pursue the third objective of an administration, being to realise property in order to make a distribution to one or more secured or preferential creditors.
- 2.5 The Administrators have achieved the objective through the sale of all properties and have distributed funds to both the secured and preferential creditors. Further information as to the outcome for all classes of creditors can be found in section 5 of this report.

Overseas subsidiaries

- 2.6 As detailed in the previous report, prior to the Administrators' appointment, the Company provided funding to subsidiaries in excess of £26 million for property development projects located in the Caribbean and Cape Verde.
- 2.7 Following a lengthy investigation into the overseas investments, the Administrators, in conjunction with the Bank, pursued a legal action against the directors regarding potential breach of their duties with a view to recovering Company funds. The Bank funded the Administrators' time costs and expenses in pursuing the legal action.
- 2.8 An agreement was reached with the directors for £1.5 million to be repaid to the Company in two equal installments of £750,000, payable in September 2014 and September 2015. The first instalment has been received and is shown on the attached Receipts and Payments Account as 'Litigation settlement'.
- 2.9 The second instalment is due to be received imminently and following receipt, the Administrators will make a final distribution to the Bank, seek tax clearance from HM Revenue & Customs and proceed to close their files.

Bank interest

- 2.10 In the Period, bank interest totaling £3,697 has been received.

3 Assets still to be realised

- 3.1 As detailed in section 2 of this report, the directors' second payment of £750,000 is the only asset remaining to be realised.

4 Administrators' fees

Administration

- 4.1 The Bank approved on 1 December 2012 that the basis of the Administrators' fees be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration in accordance with rule 2.39 of the Insolvency (Scotland) Rules 1986 as amended.
- 4.2 The Administrators' time costs for the Period 23 February 2015 to 22 August 2015 are £29,189. This represents 111 hours at an average rate of £263 per hour. Attached at Appendix B is a Time Analysis for the Period which provides details of the activity costs incurred by staff grade.
- 4.3 Principal areas of activity during the period are discussed in further detail below.
- Administration and planning - time has been incurred monitoring and updating the case strategy, complying with statutory duties and performing general administrative work. Time spent dealing with tax issues, case related treasury and support time is also recorded here.
 - Creditors - time has been incurred reporting to the Bank, preparing statutory reports and extending the Administration via an application to court. Time has also been incurred dealing with unsecured creditors queries.
- 4.4 A copy of 'A Creditors' Guide to Administrations (Scotland)' which includes guidance on Administrators' fees can be downloaded from AlixPartners' creditor portal <http://www.alixpartnersinfoportal.com>. If you would prefer this to be sent to you in hard copy please contact Paul Butterfield on 0161 838 4539 or by email to creditorreports@alixpartners.com.
- 4.5 Attached at Appendix C is a Cumulative Time Analysis for the period 23 February 2009 to 22 August 2015 which provides details of the activity costs incurred by staff grade since the Administrators' appointment.
- 4.6 To date, fees totaling £507,000 and category 1 disbursements totaling £14,886 have been drawn on account.
- 4.7 No category 2 disbursements have been drawn on account.
- 4.8 The Bank has also contributed £887,585 towards the Administrators' fees and disbursements.

Investigation of overseas investments

- 4.9 The Administrators' time costs for the Period in respect of their investigation into the use of Company funds prior to appointment are £7,325. This represents 17 hours at an average rate of £439 per hour. Attached at Appendix D is an Investigation Time Analysis which provides details of the activity costs incurred by staff grade. The Administrators' time costs in respect of the investigation are being met by the Bank.
- 4.10 Principal areas of activity during the Period are discussed in further detail below.
- Administration and planning - time has been incurred monitoring the strategy, reviewing costs and disbursements and communicating with the Administrators' solicitor in relation to the settlement agreement.

- 4.11 Attached at Appendix E is a Cumulative Time Analysis for the period 13 September 2011 to 22 August 2015 which provides details of the activity costs incurred by staff grade since the Administrators' appointment.
- 4.12 To date, fees totaling £169,189 have been drawn against these time costs.
- 4.13 Attached at Appendix F is additional information in relation to the policy on staffing, the use of sub-contractors, disbursements and details of the 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 is subject to cross-guaranteed security with other group companies, most of which are also in Administration.
- 5.2 At the date of appointment, the Company's indebtedness to the Bank was in excess of £41 million. The Bank offset approximately £4 million of credit balances held in several bank accounts against the debt. Interest and charges continue to accrue.
- 5.3 To date, distributions totaling £4.9 million and £1.6 million have been paid to the Bank under its standard securities and floating charges, respectively.

Claremont Property Investments Limited (Claremont)

- 5.4 The Company granted a standard security to Claremont on 20 July 2004 over a property located in Glasgow. Following the appointment of the Administrators it was determined that the Company did not own the property and therefore there is not an asset over which Claremont can assert secured claim.

Preferential creditors

- 5.5 A dividend of 100 pence in the pound totaling £39,717 was paid to the Company's preferential creditors on 19 January 2011.

Unsecured creditors' fund

- 5.6 Pursuant to section 176A of the Insolvency Act 1986, where there is a floating charge which post dates 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**).
- 5.7 As the Company granted a floating charge to the secured creditor before 15 September 2003, there is no requirement to create Unsecured Creditors' Fund.
- 5.8 There will be no funds available to pay a distribution to unsecured creditors.

6 Ending the Administration

Extension

- 6.1 The Administration was due to end automatically on 22 August 2015; however it was not possible to conclude all outstanding matters in the Administration prior to this date. As the Administration has already been extended by consent of creditors, the Administrators sought approval from the court for a further six month extension, in accordance with paragraph 76 of schedule B1 of the Insolvency Act 1986. This was granted and now the Administration is due to end on or before 22 February 2016.

Dissolution

- 6.2 The Company has no property to permit a distribution to its unsecured creditors. The Administrators will therefore file a notice, together with their final progress report, at court and with the Registrar of Companies for dissolution of the Company. The Administrators will 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.

Discharge of liability

- 6.3 The secured creditor approved that the Administrators will be discharged from liability under paragraph 98 of schedule B1 of the Insolvency Act 1986 directly after their appointment as Administrators ceases to have effect.

7 Next report

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

For and on behalf of
FM Developments Limited

A handwritten signature in black ink, appearing to read 'Anne O'Keefe', written over the company name.

Anne O'Keefe
Administrator

Encs

**Appendix A. Receipts and Payments Account for the period
23 February 2015 to 22 August 2015 and a Cumulative
Account for the period 23 February 2009 to
22 August 2015**

Statement of Affairs £	Period £	Cumulative £
Standard security assets		
Receipts		
1,280,247 Freehold property	-	7,585,000
Ury Grant of Servitude	-	7,962
383,521 Investments	-	10,000
Group VAT refund	-	44,732
Contribution to costs - Bank	-	507,000
Bank interest	2,464	47,015
	2,464	8,201,709
Payments		
Administrators' fees	-	507,000
Legal fees	4,590	670,948
Agent's/valuer's fees	-	223,996
Registers of Scotland fees	-	69
Quantity surveyor's costs	-	38,576
Professional fees	-	9,686
Payment to Mark Taylor	-	27,500
Other costs	1,661	270,025
Security costs	-	234,169
Bank charges	-	1,281
Insurance of assets	-	46,508
	(6,251)	(2,029,758)
Distributions		
Secured chargeholder	-	4,932,099
	-	(4,932,099)
Balance of secured charge assets	(3,787)	1,239,852
Floating charge assets		
Receipts		
360,000 Freehold land and property	-	1,339,000
Contribution to costs - Bank	-	380,585
2,000 Furniture and equipment	-	25
Intercompany dividend	-	6,961
Investments	-	6,501
Utility refund	-	9,073
VAT refund	-	23,888
2,844 Cash at bank	-	10,748
Rent	-	36,848
Litigation settlement	-	750,000
Insurance claim	-	197
Car parking spaces	-	70,000

Statement of Affairs £	Period £	Cumulative £
Rates refund	-	1,898
Funds held in solicitors' client account	-	7,281
Sundry refunds	-	4,337
Service charge income	-	301
Bank interest	1,233	20,519
	1,233	2,668,162
Payments		
Car Parking Levies	-	5,700
Administrators' fees - investigation	-	169,189
Legal fees - investigation	-	492,339
Overseas costs - investigation	-	6,267
Courier costs	-	331
Agent's/valuer's fees	-	25,082
Legal fees	-	62,489
Irrecoverable VAT	-	11,946
Insurance of assets	-	3,573
Advertising parking spaces	-	1,016
Rates	-	4,565
Audit fees	-	1,500
Bank charges	-	718
Landlord registration fees	-	132
Sundry expenses	-	1,084
Category 1 disbursements:		
Bordereau costs	-	30
Stationery and postage	329	3,828
Storage costs	-	10,822
Redirection of mail	-	103
Statutory advertising	-	103
	(329)	(800,817)
Distributions		
Preferential creditors:		
Redundancy payments service, 100p/£, 19/01/2011	-	13,416
Employees, 100p/£, 19/01/2011	-	19,893
Tax/NI deductions	-	6,408
Floating chargeholder	-	1,584,076
	-	(1,623,793)
Balance of floating charge assets	904	243,552
Total balance		1,483,404
Represented by		
Interest bearing accounts		1,482,422
VAT payable		(18)
		1,482,404

Appendix B. Time analysis for the period 23 February 2015 to 22 August 2015

	Employee grade (hours)				£		
	Managing director /director	Associate director /senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Strategy and control	2.3	5.6	5.4	-	13.3	4,310.50	324
Statutory duties	0.2	-	1.3	0.4	1.9	472.00	248
Case administration	0.3	2.5	12.4	0.1	16.3	4,083.00	267
Accounting and treasury	0.5	4.2	12.1	6.0	22.8	6,326.50	234
Internal documentation	0.3	2.6	0.3	-	3.2	935.00	292
Realisation of assets - standard security							
Sale of assets	-	0.5	-	0.2	0.7	170.00	243
Asset accounting and administration	0.3	0.2	-	2.1	2.6	464.00	178
Realisation of assets - debtors							
Internal and external documentation	-	-	0.3	-	0.3	75.00	260
Realisation of assets - floating charge							
Asset accounting and administration	0.3	-	0.5	3.6	4.4	668.00	152
Creditors							
Reporting to creditors	1.5	2.4	20.8	2.1	26.8	7,084.50	264
Secured creditors	0.6	17.4	-	0.2	18.2	5,374.50	295
Unsecured creditors	-	-	0.2	1.2	1.4	226.00	181
Totals	6.3	35.4	53.3	15.9	110.9	29,189.00	263

Appendix C. Cumulative time analysis for the period 23 February 2009 to 22 August 2015

	Employee grade (hours)				£		Average rate per hour
	Managing director /director	Associate director /senior associate	Associate/analyst	Junior analyst/ support	Total hours	Total cost	
Administration and planning							
Planning	-	-	-	2.1	2.1	254.50	121
Strategy and control	262.4	290.9	325.2	61.2	939.7	277,328.00	296
Statutory duties	0.9	6.4	14.4	17.1	38.8	7,601.50	196
Case administration	5.2	71.1	194.2	222.2	492.7	90,623.50	184
Accounting and treasury	8.0	42.9	116.2	312.8	479.9	76,008.50	158
Travel and waiting time	1.2	7.5	89.7	-	98.4	22,265.00	226
Internal documentation	0.7	20.6	122.7	29.5	173.5	36,533.50	211
Investigations							
Director conduct reports	22.0	5.7	31.8	13.0	72.5	19,460.00	268
Other investigations	105.8	250.7	277.6	132.5	766.6	181,349.50	250
Internal documentation	-	-	45.9	1.9	47.8	10,493.50	220
Realisation of assets - standard security							
Asset realisation strategy	-	7.3	1.0	0.1	8.4	2,541.00	303
Asset identification and valuation	7.1	75.8	265.0	2.5	350.4	83,826.50	239
Sale of assets	44.6	188.8	154.4	2.4	390.2	110,642.50	283
Recovery of assets	-	11.6	27.7	-	39.3	9,813.00	250
Dealing with third party assets	-	-	-	-	-	0.00	n/a
Asset accounting and administration	1.2	12.0	40.3	24.8	78.3	16,101.50	206
Realisation of assets - debtors							
Debt collection	-	3.3	4.4	3.0	10.7	2,358.50	220
Debtor litigation	-	-	0.6	-	0.6	144.00	240
Crown debtors	-	0.2	3.7	0.8	4.7	925.50	197
Internal and external documentation	-	-	5.7	-	5.7	1,271.00	223
Realisation of assets - floating charge							
Asset realisation strategy	-	0.8	-	-	0.8	252.00	315
Asset identification and valuation	-	24.8	74.0	1.5	100.3	24,124.50	241
Sale of assets	1.0	32.5	60.6	0.3	94.4	23,957.50	254
Recovery of assets	-	12.4	0.3	0.6	13.3	4,051.00	305
Dealing with third party assets	-	0.5	18.2	0.2	18.9	4,024.00	213
Asset accounting and administration	1.3	0.1	34.8	15.2	51.4	10,184.00	194
Trading							
Trading activities	-	45.3	283.5	52.5	381.3	80,082.00	210
Accounting and administration	5.4	4.3	36.4	30.3	76.4	14,683.50	192
Creditors							
Creditor claims	-	1.0	12.6	3.5	17.1	3,679.50	209
Creditor litigation	-	0.6	3.0	-	3.6	819.00	228
Internal documentation	-	-	1.7	0.1	1.8	389.00	216
Creditor strategy	-	-	-	0.1	0.1	11.50	115
Reporting to creditors	31.6	154.8	285.2	105.9	577.5	136,009.00	236
Creditor meetings	-	25.5	84.1	37.9	147.5	29,747.60	202
Creditors' committee	6.0	-	-	-	6.0	2,650.00	425
Secured creditors	1.3	57.6	28.6	2.3	89.8	24,988.50	278
Preferential creditors	-	-	-	0.3	0.3	34.50	115
Unsecured creditors	0.1	3.2	6.0	10.1	19.4	3,692.50	190
Employees	-	2.7	49.9	10.8	63.4	12,597.50	199
Shareholders and other stakeholders	-	-	-	1.3	1.3	157.50	121
Totals	610.3	1,361.2	2,703.2	1,101.9	5,676.6	1,338,395.50	236

Appendix D. Investigation time analysis for the period 23 February 2015 to 22 August 2015

	Employee grade (hours)				£	
	Managing director /director	Associate director /senior associate	Associate/analyst	Junior analyst/ support	Total hours	Average rate per hour
Administration and planning	13.5	1.0	-	-	14.5	6,692.50
Strategy and control	-	2.2	-	-	2.2	632.00
Accounting and treasury	-	2.2	-	-	2.2	632.00
Totals	13.5	3.2	-	-	16.7	7,324.50

Appendix E. Cumulative investigation time analysis for the period 13 December 2011 to 22 August 2015

	Employee grade (hours)				£		
	Managing director /director	Associate director /senior associate	Associate/analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Planning	17.0	14.0	-	-	31.0	11,975.00	386
Strategy and control	178.5	1.0	2.5	0.4	182.4	80,813.50	443
Case administration	0.5	0.6	1.0	-	2.1	639.50	305
Accounting and treasury	-	18.3	1.3	0.5	20.1	6,667.50	282
Travel and waiting time	3.0	-	2.0	2.0	7.0	2,045.00	292
Internal documentation	-	9.1	1.5	4.9	15.5	3,528.50	228
Investigations							
Director conduct reports	-	-	73.0	0.2	73.2	16,085.00	220
Other investigations	32.3	347.0	45.3	39.7	464.3	137,724.00	297
Internal documentation	-	4.4	18.7	2.5	25.6	6,116.50	239
Realisation of assets - floating charge							
Sale of assets	2.5	1.2	-	-	3.7	1,456.50	394
Recovery of assets	-	0.8	-	-	0.8	224.00	280
Asset accounting and administration	-	-	2.5	-	2.5	576.00	230
Creditors							
Creditor litigation	3.0	-	-	-	3.0	1,020.00	340
Secured creditors	-	10.4	-	0.4	10.8	2,986.00	276
Totals	236.8	406.8	147.8	50.6	842.0	270,856.00	322

Appendix F. Additional information in relation to Administrators' fees pursuant to Statement of Insolvency Practice 9 (Scotland)

Policy

Detailed below is AlixPartners' policy in relation to:

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

Staff allocation and the use of sub-contractors

The 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 case team will usually consist of a partner, managing director, director, associate directors, a senior associate, an associate and an analyst. The exact 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 Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, time spent by treasury in relation to specific tasks on an assignment is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution.

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

Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The Administrators have also indicated 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
CMS Cameron McKenna LLP (formerly Dundas and Wilson LLP) (legal advice)	Hourly rate and disbursements
Anderson Strathern LLP (solicitors)	Hourly rate and disbursements
DM Hall Chartered Surveyors LLP (surveyors)	Hourly rate and disbursements
Colleys Limited (surveyors)	Hourly rate and disbursements
Jardine Lloyd Thompson Group Plc (insurance)	Risk based premium
AECOM (formerly Davis Langdon) (valuation and disposal advice)	Fixed fee plus hourly rate and disbursements
Connors of Stonehaven Limited (valuation and disposal advice)	Percentage of realisations
Savills (L&P) Limited (valuation and disposal advice)	Percentage of realisations and hourly rate

The 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 the fee arrangement with them.

Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case, eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by the Administrators and their staff will also be chargeable.

Category 2 disbursements do require approval prior to being paid and will be drawn in accordance with the approval given, they may include:

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying;
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour; and

business mileage for staff travel - charged at the rate of 45 pence per mile

Charge-out rates

A schedule of AlixPartners charge-out rates for this assignment effective from 1 April 2015 are detailed below. Time is charged by partners and case staff in units of six minutes.

Description £	Rates from 1 April 2015	Description £	Rates pre 1 April 2015
Managing director 1	490	Managing director 1	445
Managing director 2	450	Managing director 2	415
Director	430	Director	390
Associate director	360	Associate director	340
Senior associate	295	Senior associate	280
Associate	260	Associate	250
Analyst	230	Analyst	220
Junior analyst	150	Junior analyst	150
Senior treasury associate	170	Senior treasury associate	170
Treasury associate	110	Treasury associate	110
Treasury analyst	85	Treasury analyst	85
Support	85	Support	79