

The Insolvency Act 1986

Administrator's progress report

Name of Company

British Bookshops & Stationers Ltd

Company number

1257379

In the

Chancery Division, Companies Court

Court case number

327 of 2011

We

S J Appell
Zolfo Cooper
10 Fleet Place
London
EC4M 7RBS C E Mackellar
Zolfo Cooper (BVI) Limited
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Palm Grove House
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Cornerstone
107 West Regent Street
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administrators of the above company attach a progress report for the period


From

13 July 2011

To

5 January 2012

Signed


Joint Administrator

Dated

17. 1. 12.

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

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Joint Administrators' Final Progress Report for the period 13 July 2011 to 5 January 2012

British Bookshops and Stationers Limited
In Administration

6 January 2012



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1 Statutory information

- 1.1 I was appointed Joint Administrator of British Bookshops and Stationers Limited (the Company) together with Simon Jonathon Appell and Fraser James Gray on 13 January 2011 by the High Court. The application for the appointment of an Administrator was made by the directors.
- 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 registered in the High Court of England and Wales, Chancery Division, Companies Court, under reference number 347 of 2011.
- 1.4 The Company traded from 51 leasehold retail stores across the South East of England. The Company's head office was located at 6 Crowhurst Road, Hollingbury, Brighton, East Sussex, BN1 8AF and traded under the names British Bookshops and Sussex Stationers.
- 1.5 The registered office of the Company has been changed to c/o Zolfo Cooper, Toronto Square, Toronto Street, Leeds, LS1 2HJ and its registered number is 01257379.
- 1.6 In accordance with Paragraph 100 (2) of Schedule B1 of the Insolvency Act 1986, the functions of the Joint Administrators are being exercised by any or all of the Joint Administrators.

2 Joint Administrators' proposals

- 2.1 As advised in the proposals previously sent to creditors, the Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:
 - rescuing the Company as a going concern;
 - achieving 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); or
 - realising property in order to make a distribution to one or more secured or preferential creditors.
- 2.2 The proposals advised that the Joint Administrators were pursuing the the second objective, namely 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).
- 2.3 This has been achieved by continuing to trade the business and achieving a sale of the business as detailed in section 3.2.

3 Progress of the Administration

- 3.1 Attached at Appendices A is the Joint Administrators' Receipts and Payments Account for the period 13 July 2011 to 5 January 2012, together with a Cumulative Receipts and Payments Account for the period 13 January 2011 to 5 January 2012.

- 3.2 Attached at Appendices B is the Joint Administrators' Trading Account for the period 13 July 2011 to 5 January 2012, together with a Cumulative Trading Account for the period 13 January 2011 to 5 January 2012.

Sale of business and assets

- 3.3 As detailed in my previous reports, a sale of the business and assets of 22 stores was concluded with Books & Stationers Limited, part of the W H Smith Group (WHS), for the sum of £1.05 million, broken down as follows:

	Amount £
Leasehold property	50,000
Intellectual property	1
Goodwill	779,999
Equipment	220,000
Total	1,050,000

- 3.4 A sale of a further five of the Company's stores was completed to Mountain Warehouse Limited (MW) for the sum of £70,000.
- 3.5 WHS and MW (the Purchasers) continued to occupy the premises under licenses to occupy granted by the Joint Administrators. During this period, the Joint Administrators continued to collect rent payments from the Purchasers and pay the funds collected to the respective landlords. All stores have now either been assigned to the Purchasers, or have been vacated.

Trading

- 3.6 The Joint Administrators traded the Company whilst in Administration to protect the Company's interest in its leasehold premises, maximise stock realisations and preserve the employment of the majority of the Company's staff. The Joint Administrators' Trading Account shows a final trading profit of £1.96 million.
- 3.7 As previously advised, the remaining stores not acquired by the Purchasers were closed in phases over a six week period to 14 March 2011, whereupon any remaining stock was sold and staff made redundant. The head office function was also closed on 24 March 2011.
- 3.8 The Joint Administrators notified the relevant landlords when a property was vacated and offered a surrender of the lease. To date, 13 surrenders have been accepted and the remaining leases held by the Company will be disclaimed in the subsequent Liquidation.

Fixtures and fittings (F&F)

- 3.9 The F&F at the head office and warehouse was sold for a total of £105,708 as part of a live auction held on 9 March 2011. The Joint Administrators also received the sum of £1,500 from WHS in respect of the F&F in a store sold to them.

Rates refunds

- 3.10 CAPA LLP were instructed to collect any pre-paid non-domestic rates and a total of £60,419 has been received.

Returned deposits and news refunds

- 3.11 The Joint Administrators have received £7,125 in relation to a pre-appointment deposit for newspaper and magazine distribution.
- 3.12 The sum of £30,641 has also been received for returned unsold newspapers and magazines purchased prior to the Joint Administrators' appointment.

Rent refunds

- 3.13 As the Joint Administrators closed the remaining stores prior to the quarter date following their appointment, several refunds totalling £27,055 were received from landlords who had accepted a surrender of the leases.

Cash at bank and in hand

- 3.14 The Joint Administrators realised a total of £630,587 from the Company's pre-appointment bank accounts, in addition to £386 petty cash from the head office function.

Other realisations

- 3.15 Further realisations in respect of sundry refunds, bank interest, cars and debtors have been made as detailed at Appendix A.

4 Joint Administrators' incurred costs

- 4.1 Detailed in the table below is a cost that has been incurred at the date of this report, but has not yet been paid for.

Cost category	Supplier	Costs incurred but not paid
Legal fees	Mayer Brown International LLP	21,572

5 Joint Administrators' remuneration

- 5.1 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, and that the Joint Administrators are authorised to draw remuneration as and when funds are available on account of their time costs.
- 5.2 The Joint Administrators' time costs for the period 13 July 2011 to 5 January 2012 are £94,563. This represents 363 hours at an average rate of £260 per hour. Attached as Appendix C is a time analysis for the period, which provides details of the activity costs incurred by staff grade.

- 5.3 Also attached as Appendix D is a cumulative time analysis for the period 13 January 2011 to 5 January 2012, which provides details of the activity costs incurred by staff grade since the Joint Administrators' appointment.
- 5.4 A total of £802,926 plus VAT and disbursements have been drawn on account in the Administration. The unbilled time costs will be drawn in the Liquidation.
- 5.5 The Joint Administrators can confirm that category 2 disbursements, consisting of photocopying at ten pence per sheet have been taken in accordance with the proposals.
- 5.6 The main areas where the Joint Administrators have incurred time costs are as follows:
- Administration and planning:** the time spent here includes the statutory duties of the Administration, statutory notices to creditors and the court, case strategy matters, case administration, filing and cashfiring time.
- Realisation of assets - fixed and floating charge:** time recorded here deals with time spent liaising with WHS and MW as well as solicitors to finalise lease assignments and dealing with rent collection and payment following the sale. In addition, time spent here also includes dealing with final residual realisations.
- Trading:** this reflects time spent finalising the trading position by liaising with suppliers and customers, processing receipts and payments and finalising the tax position in respect of the trading period.
- Creditors:** time spent here relates to dealing with creditor queries, including registering of claims, written and verbal communication, as well as liaison with employees, responding to concerns and all redundancy matters.
- 5.7 Attached at Appendix E 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.

6 Unrealised assets

- 6.1 All assets have now been realised and the Receipts and Payments Account at Appendix A reflects the final position on both realisations achieved and payments discharged during the course of the Administration.

7 Outcome for creditors

Secured creditor - GA Europe Investments 200 Limited (GA)

- 7.1 As previously advised, the Company granted a fixed and floating charge to Endless LLP on 11 February 2011, which was purchased by GA prior to the Joint Administrators' appointment. GA has been repaid in full in respect of the lending under its security which totalled £437,244, including interest and charges.

Preferential creditors

- 7.2 A dividend of 100 pence in the pound was paid to preferential creditors totalling £42,490 on 12 September 2011.

Unsecured creditors

- 7.3 Pursuant to Section 176A of the Insolvency Act 1986, where there is a floating charge created after 15 September 2003, the Joint Administrators are required to create a fund from the Company's available net property, for the benefit of unsecured creditors (an Unsecured Creditors' Fund).
- 7.4 However, as GA has been paid in full, all surplus funds will be available to unsecured creditors and as such, it is not necessary to create an Unsecured Creditors' Fund in this case.
- 7.5 A surplus of £2.32 million is available in the Administration. Based on the directors' Statement of Affairs, unsecured creditors are anticipated to be approximately £8.60 million. This will result in a dividend in the region of 30 pence in the pound being available to unsecured creditors, before deducting the costs of the subsequent Liquidation.

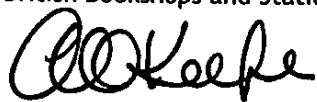
8 Ending the Administration

- 8.1 As a dividend is available to unsecured creditors, the Joint Administrators have filed a notice with the Registrar of Companies in order that the Administration will cease and the Company move automatically into Creditors' Voluntary Liquidation (CVL).
- 8.2 The Joint Administrators will then become the Joint Liquidators, in order to make a distribution to unsecured creditors.
- 8.3 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.

9 Creditors' rights

- 9.1 Within 21 days of the receipt of the report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% of the value of the unsecured creditors) may request in writing that the Joint Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 9.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% of the value of unsecured creditors) may within eight weeks of receipt of this progress report make an application to court on the grounds that the basis fixed for the Joint Administrators' remuneration, the remuneration or the expenses incurred by the Joint Administrators as set out in this progress report, are excessive.

For and on behalf of
British Bookshops and Stationers Limited



Anne O'Keefe
For Stuart Mackellar
Joint Administrator

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**Receipts and Payments Account for the period
13 July 2011 to 5 January 2012 and a Cumulative
Account for the period 13 January 2011 to
5 January 2012**

Appendix A

Statement of Affairs	13/07/2011 - 05/01/2012 £	13/01/2011 - 05/01/2012 £
Fixed charge assets		
Receipts		
Leasehold property	-	120,000
Intellectual property	-	1
Goodwill	-	779,999
Bank Interest	93	210
	<u>93</u>	<u>900,210</u>
Payments		
Pre-appointment fees	-	12,381
Joint Administrators' fees	-	98,925
Legal disbursements	-	123
Legal fees	-	67,046
Agents'/valuers' fees	-	29,119
Advertisement costs	-	2,851
Professional fees	-	6,116
Bank charges	-	23
Sundry expenses	-	1,275
Transfer to uncharged assets	245,107	245,107
	<u>(245,107)</u>	<u>(462,966)</u>
Distribution		
Due to chargeholder	-	437,244
	<u>-</u>	<u>(437,244)</u>
Floating charge assets		
Receipts		
465,253 Cash at bank	-	630,587
500,000 Fixtures and fittings	-	107,208
12,000 Cars	-	2,800
50,000 Computer hardware	-	-
39,000 Vans	-	-
1,065,000 Stock	-	-
	-	220,000
387,721 Debtors	-	2,063
	-	27,055
28,990 Unlisted investments	-	-
Sundry refunds	1,751	2,164
Returned deposits	-	7,125
Bank Interest gross	1,239	2,142
Fixed charge surplus	245,107	245,107
News refunds	-	30,641
Trading surplus/(deficit)	(30,597)	1,955,660
Rate refunds	10,718	60,419
Head office cash	-	386
	<u>228,218</u>	<u>3,293,357</u>

**Receipts and Payments Account for the period
13 July 2011 to 5 January 2012 and a Cumulative
Account for the period 13 January 2011 to
5 January 2012 continued**

Appendix A

	13/07/2011 - 05/01/2012	13/01/2011 - 05/01/2012
Payments		
Sub-contractors' fees	21	21
Category 1 disbursements		
Travel and subsistence	2,336	15,188
Telephone and fax costs	173	173
Stationery, postage and photocopying	2,291	10,099
Company search	19	19
Storage and destruction costs	8,128	8,864
Re-direction of mail	-	106
Statutory advertising	76	151
Sundry expenses	-	235
Bordereau costs	740	740
Joint Administrators' fees	198,266	704,001
Store fixtures and fittings realisation costs	-	1,227
Agents'/valuers' fees	-	37,487
Employment agents	3,000	5,000
Legal disbursements	143	430
Legal fees	57,141	125,307
Corporation tax	442	442
Insurance of assets	17,199	17,199
Bank charges	101	1,186
	<u>(290,075)</u>	<u>(927,875)</u>
Preferential creditors		
Preferential dividend (100P In £) - Employees	4,456	4,457
Preferential dividend (100P In £) - HMRC	1,662	1,662
Preferential dividend (100P In £) - RPO	36,372	36,372
	<u>(42,490)</u>	<u>(42,491)</u>
Balance	<u>(349,362)</u>	<u>2,322,991</u>
Represented by		
VAT receivable		49,163
Interest bearing account		2,273,829
		<u>2,322,991 *</u>

* All funds will be transferred into the Liquidation

**Trading Account for the period 13 July 2011 to
5 January 2012 and a Cumulative Account for the
period 13 January 2011 to 5 January 2012**

Appendix B

	13/07/2011 - 05/01/2012 £	13/01/2011 - 05/01/2012 £
Post appointment sales		
Sales	36,544	5,560,022
Miscellaneous income	1,771	3,501
Rental Income	(4,035)	16,406
	<u>34,280</u>	<u>5,579,929</u>
Other direct costs		
Sub contractors	-	26,083
Wages and salaries	-	1,009,682
PAYE/NIC	-	197,420
	<u>-</u>	<u>(1,233,187)</u>
Trading expenditure		
Rents	3,528	81,601
Rates	2,771	161,833
Heat and light	56,504	88,853
Water costs	32	367
Telephone and internet	-	5,514
Cleaning and waste disposal	1,300	15,790
Insurance	-	1,930
Bank charges	-	7,603
IT costs	-	10,764
Repairs and maintenance	-	8,993
Sundry expenses	-	106
Vehicle running costs	-	13,121
Advertising	-	35,040
Retention of title costs	1,702	929,468
Pension contributions	-	6,422
Consultancy fees	540	67,543
Security	-	17,422
Employee expenses	-	1,424
News, magazines and papers	(1,500)	159,322
GA management fee	-	777,966
	<u>(64,877)</u>	<u>(2,391,082)</u>
Trading surplus/(deficit)	<u>(30,597)</u>	<u>1,955,660</u>

Time Analysis for the period 13 July 2011 to 5 January 2012

Appendix C

	Hours per employee grade				Total hours	Total cost £	Average rate per hour £
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support			
Administration and planning							
Planning	-		1.0		1.0	280.00	280
Strategy and control	-	7.0	17.2	6.4	30.6	8,760.50	286
Statutory duties	-	4.6	2.0	1.0	7.6	2,513.00	331
Case administration		0.5	1.2	3.9	5.6	1,126.00	201
Accounting and treasury	4.7	4.8	9.4	18.5	37.4	9,060.50	242
Internal documentation	-		12.2	18.7	30.9	6,406.00	207
Investigations							
Director conduct reports	-	-	0.2	-	0.2	61.00	305
Realisation of assets - fixed charge							
Asset identification and valuation	-		1.0	-	1.0	305.00	305
Sale of assets	-	0.6	13.7	-	14.3	4,424.50	309
Dealing with third party assets		-	2.1	0.5	2.6	705.50	271
Asset accounting and administration		-	1.2	-	1.2	366.00	305
Realisation of assets - floating charge							
Asset realisation strategy	-	-	0.2	-	0.2	61.00	305
Asset identification and valuation		-	0.6	-	0.6	168.00	280
Sale of assets	1.0	12.0	22.7	0.2	35.9	11,406.00	318
Recovery of assets		0.5	0.6	-	1.1	358.00	325
Dealing with third party assets	0.3	6.3	18.6	-	25.2	7,716.50	306
Asset accounting and administration	-	-	10.2	-	10.2	2,876.00	282
Trading							
Trading activities			9.9	43.6	53.5	9,492.00	177
Accounting and administration	0.4	0.5	1.0	8.3	10.2	1,889.50	185
Creditors							
Creditor claims		0.3	-	-	0.3	111.00	370
Internal documentation		-	0.3	-	0.3	91.50	305
Creditor strategy	-	-	1.0	-	1.0	305.00	305
Reporting to creditors	0.9	4.5	25.6	1.5	32.5	9,735.50	300
Preferential creditors	0.7	3.5	10.4	0.5	15.1	4,724.00	313
Unsecured creditors		5.1	15.7	10.2	31.0	8,099.50	261
Employees	-	1.5	7.0	5.1	13.6	3,521.50	259
Totals	8.0	51.7	185.0	118.4	363.1	94,563.00	260

Cumulative Time Analysis for the Period 13 January 2011 to 5 January 2012

Appendix D

	Hours per employee grade				Total hours	Total cost	Average rate per hour
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support			
						£	£
Administration and planning							
Planning	-	-	1 0	-	1.0	280 00	280
Strategy and control	16 6	76 1	40 0	6 4	139 1	52,974 00	381
Statutory duties	0 2	4 9	11 8	5 5	22 4	6,170 50	275
Case administration	0 7	20 7	55 7	95 8	172 9	39,337 00	228
Accounting and treasury	5 3	10 9	18 2	110 8	145 2	29,434 00	203
Internal documentation	0 4	-	27 2	19 4	47 0	11,103 50	236
Investigations							
Director conduct reports	0 3	2 5	5 1	2 9	10 8	3,115 50	288
Other investigations	-	-	-	0 7	0 7	105 00	150
Internal documentation	-	-	4 0	-	4 0	1,202 50	301
Realisation of assets - fixed charge							
Asset identification and valuation	-	-	9 8	1 1	10 9	2,969 00	272
Sale of assets	30 5	75 6	28 5	-	134 6	56,905 40	423
Dealing with third party assets	-	-	2 1	0 5	2 6	705 50	271
Asset accounting and administration	-	-	17 5	0 2	17 7	5,127 50	290
Realisation of assets - debtors							
Crown debtors	-	-	0 3	-	0 3	91 50	305
Internal and external documentation	-	-	1 4	0 2	1 6	424 50	265
Realisation of assets - floating charge							
Asset realisation strategy	-	-	0 2	-	0 2	61 00	305
Asset identification and valuation	-	2 0	11 7	-	13 7	4,256 00	311
Sale of assets	1 5	47 9	50 9	0 7	101 0	34,646 00	343
Recovery of assets	-	0 5	3 4	-	3 9	1,212 00	311
Dealing with third party assets	0 5	11 8	67 0	11 0	90 3	25,676 00	284
Asset accounting and administration	-	6 7	44 2	0 2	51 1	15,010 00	294
Trading							
Trading strategy	-	-	-	0 7	0 7	105 00	150
Trading activities	12 0	132 7	876 6	77 3	1,098 6	333,574 50	304
Accounting and administration	9 4	40 5	44 4	17 6	111 9	37,757 00	337
Creditors							
Creditor claims	-	2 8	0 2	4 1	7 1	1,748 00	246
Creditor litigation	-	-	0 2	-	0 2	56 00	280
Internal documentation	-	-	0 5	0 3	0 8	197 50	247
Creditor strategy	-	0 5	1 0	-	1 5	490 00	327
Reporting to creditors	3 6	37 2	37 2	10 6	88 6	29,560 00	334
Creditor meetings	1 7	9 1	131 6	176 2	318 6	69,179 50	217
Preferential creditors	0 7	3 5	10 4	0 5	15 1	4,724 00	313
Unsecured creditors	0 1	10 5	40 4	88 8	139 8	29,188 50	209
Employees	-	9 3	43 1	19 2	71 6	19,004 00	265
Totals	83 5	505 7	1,585 6	650 7	2,825 5	816,390 40	289

Additional information in relation to the Joint Administrators' remuneration pursuant to Statement of Insolvency Practice 9

Appendix E

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 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. The Joint Administrators only seek to charge and recover secretarial time if a large block of time is incurred, eg report compilation and distribution.

The following services have been provided on this assignment by external sub-contractors:

Service type	Service provider	Basis of fee arrangement	Cost to date
Employee claim processing	Insol Group Limited	Rate per employee	£5,000

1.2 Professional advisors

On this assignment the Joint Administrators have used the professional advisors listed below. The Joint 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
Mayer Brown International LLP (legal advice)	Hourly rate and disbursements
Willis Limited (Insurance)	Risk based premium
GA Europe Investments 200 Limited (disposal advice)	Percentage of realisations
Insol Group Limited (employee related matters)	Fixed fee
Edward Symmons LLP (valuation advice)	Fixed pre-agreed fee
Prettys Solicitors LLP (legal advice)	Hourly rate and disbursements
Gooch Cunliffe Whale Limited (valuation and disposal advice)	Fixed pre-agreed fee
CAPA LLP (valuation advice)	Percentage of realisations

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. 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 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 drawn are photocopying, charged at the rate of ten pence per sheet for notifications and reports to creditors and other copying.

2 Charge-out rates

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

Description	£
Partner/director	
Partner 1*	575
Partner 2*	520
Director	450
Senior associate	
Senior associate 1*	410
Senior associate 2*	370
Associate/analyst	
Associate	305
Analyst*	280
Junior analyst and support staff	
Junior analyst*	150
Senior treasury associate	220
Treasury associate	150
Treasury analyst	95
Support	80
*Key	
<i>Partner 1 - Partners with three or more years experience at partner level</i>	
<i>Partner 2 - Partners with fewer than three years experience at partner level</i>	
<i>Senior associate 1 - Staff with two or more years experience at senior associate level</i>	
<i>Senior associate 2 - Staff with fewer than two years experience at senior associate level</i>	
<i>Analyst - Staff with more than one year's experience at analyst level</i>	
<i>Junior analyst - First year analysts</i>	