

The Insolvency Act 1986

Administrator's progress report

2.24B

Name of Company
123 Leeds Limited formerly Optical Express
(Southern) Limited

Company Number

01873281

In the
High Court of Justice, Chancery Division,
Companies Court
[full name of court]

Court case number (For court use only)

7631 of 2012

Insert full name(s) and
address(es) of the
administrator(s)

We^(a)

Bryan A Jackson of BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Anne Buchanan of BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX

Ian Schofield of BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU

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

(b) Insert dates

From

(b)

2 April 2013

To

(b)

16 August 2013

Signed

For the Joint Administrators

Dated

22/8/13

MONDAY



Q2LDLFSJ

QIQ

18/11/2013

#71

COMPANIES HOUSE



TO WHOM IT MAY CONCERN

Our Ref: 4022734/BAJ/AB/ICS/ER/ADME2404

22 August 2013

Dear Sirs

**123 Leeds Limited formerly Optical Express (Southern) Limited ["the Company"]
In Administration
Report to creditors on the progress of the Administration pursuant to Rule 2.112 of the
Insolvency Rules 1986**

I write further to my appointment as Joint Administrator of the Company on 2 October 2012.

The following schedules are attached to this report

- a) Appendix 1 Form 2 24B
- b) Appendix 2 Statutory information.
- c) Appendix 3 A summary of the Joint Administrators' receipts and payments account
- d) Appendix 4 An analysis of the time charged to the Administration

1. General overview and Progress of the Administration

- 1.1. This progress report is prepared in accordance with Rule 2.112 of the Insolvency Rules 1986 ["the Rules"] This report should be read in conjunction with the Joint Administrators' Proposals and the first progress report issued on 30 April 2013
- 1.2. As previously reported, as part of the Sale and Purchase Agreement a Licence to Occupy 43 stores was given to Optical Express Limited ["OEL"] A small number of leases, under the Licence to Occupy, have still to be assigned and protracted correspondence between OEL, Landlords, their agents and the Joint Administrators is still ongoing The remaining assignments should be completed in the near future.
- 1.3. The Joint Administrators are continuing to deal with a substantial number of patient claims and are liaising with the patients, their solicitors, OEL and the Company's Insurers

Direct tel 0141 249 8441 | Fax 0141 248 1653

Email elaine.ramage@bdo.co.uk | www.bdo.co.uk

BDO LLP | 4 Atlantic Quay | 70 York Street | Glasgow | G2 8JX | LP - 55 Glasgow 6

Details of the authorising bodies of the Insolvency appointment takers of BDO LLP are available at www.bdo.co.uk/services/advisory/business_restructuring/authorising_bodies_insolvency_appointment_takers

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- 1.4 Unfortunately, the above matters are not capable of being finalised within the period of 12 months from the date of Administration. In the circumstances, the Joint Administrators propose that the period of the Administration is extended to 1 April 2014
- 1.5. Paragraph 76 of Schedule B1 ["the Schedule"] of the Insolvency Act 1986 gives creditors the authority to grant an extension of the Administration of up to 6 months. Paragraph 78 of the Schedule states that in order for the extension to be effective, given that the Joint Administrators have made a statement under Paragraph 52(1)(b) of the Schedule, the Joint Administrators require the consent of each of the Company's secured creditors and at least half of the preferential creditors to participate in the vote. As previously reported, there are no preferential creditors
- 1.6. The Joint Administrators were recently advised that Royal Bank of Scotland plc (the secured creditor) had sold its entire debt holding and had assigned the security previously held by the Bank. The Joint Administrators have been required to maintain the identity of the purchaser as confidential and, therefore, consent to the extension and all other issues requiring secured creditor consent/approval will be dealt with, on a confidential basis.
- 1.7. Attached at Appendix 3 is a copy of the Joint Administrators' Receipts and Payments Account. You will note that the funds in hand total £178,218.65. These funds are subject to the costs of the Administration and the payment due to OEL, as detailed below.
- 1.8. Based on present information, there will be insufficient funds to make a distribution to unsecured creditors
- 1.9. As previously reported, it is still anticipated that the exit route will be via dissolution of the Company. As soon as all matters have been finalised the Joint Administrators will file a notice with the Registrar of Companies to have the Company dissolved. On receipt of the notice from the Joint Administrators the Registrar shall register it and the appointment of the Joint Administrators will cease to have effect. At the end of the period of 3 months beginning with the date of registration of the notice the Company is deemed to be dissolved. Paragraph 84(7) of the Schedule allows the period of 3 months (i.e. the period after which the Company is deemed to be dissolved) to be extended or suspended on application to the Court by the Joint Administrators or another interested party. A copy of the notice of move from Administration to dissolution will be sent to all known creditors.

2. Asset realisations

Sale and Purchase Agreement ["SPA"]

- 2.1. As previously reported, the net sum realised from the SPA was £175,000. The purchaser took on substantial obligations/liabilities.
- 2.2. The following assets were excluded from the SPA

Cash in Hand

- 2.2.1. £28,186.48 was realised, representing the petty cash, till floats and some pre-appointment takings which had not been banked in the Company's bank account at the date of appointment.

Cash at Bank

- 2.2.2. The sum of £66,408.96 was received from Allied Irish in respect of the balance held in the Company's account however, it has now been established that the sum of £55,057.72 is due to OEL and these funds will be transferred shortly

Bank Interest

2 2 3 To date, bank interest of £350 28 has been received

3. Creditors

Secured Creditor

- 3 1 As previously reported, Royal Bank of Scotland plc was granted a debenture on 12 June 2009 which was registered at Companies House on 30 June 2009, creating fixed and floating charges over the assets of the Company.
- 3 2 The Company's bank accounts at Royal Bank of Scotland plc, at the date of Administration, were overdrawn by £1,087,134.59.
- 3.3. The Company had a Group Banking Facility with Royal Bank of Scotland plc and is, therefore, contingently liable for the Group's debt. The total Group indebtedness (including the Company's overdrawn account) at the date of appointment was £22,920,414 59.
- 3.4. As above, the Joint Administrators were recently advised that Royal Bank of Scotland plc has sold its entire debt and assigned the security previously held by it. As noted above, the Joint Administrators have been required not to disclose the identity of the new secured creditor and all matters relating to the secured creditor will be dealt with, on a confidential basis.

Preferential Creditors

- 3 5. As previously advised, there are no preferential creditors.

Unsecured Creditors

- 3 6. At the date of Administration, the Company had estimated liabilities to unsecured creditors, excluding HM Revenue & Customs, of £151,437,703. This amount includes landlords' claims taking into consideration the full terms of the leases. Claims of £16,087,135.48 have been received, to date.
- 3 7 There will be insufficient funds to make a distribution to unsecured creditors

Crown Creditor - HM Revenue & Customs

- 3.8. The sum due in respect of VAT, per the Company's records, is approximately £10,900,327.
- 3 9. Per the Company's records, the sum of £554,101 was due in respect of Corporation Tax. A claim for £472,523.47 has been received.
- 3.10. HM Revenue & Customs has submitted a claim in the sum of £235,444 in respect of Stamp Duty Land Tax.

Prescribed Part

3.11. Section 176A of the Insolvency Act 1986 requires the Joint Administrators to set aside a prescribed amount of the Company's "net property" towards the satisfaction of unsecured debts. Net property is the amount of property that would otherwise be available for satisfaction of holders of debentures secured by, or holders of, any floating charge created by the Company after 15 September 2003.

3.12. As previously advised, Royal Bank of Scotland plc held a debenture created on 12 June 2009 however, this has been assigned. Accordingly, the Prescribed Part provisions would apply however, the Joint Administrators believe that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits and, therefore, the Prescribed Part will be disappplied.

4. Pre-appointment costs

As previously advised, a resolution was passed by the secured creditor approving payment of all pre appointment costs totalling £46,335.61. These costs were subsequently paid.

5. Costs incurred other than Joint Administrators' expenses

As shown in the attached Receipts and Payments account, the Joint Administrators have incurred the following costs during the period 2 April 2013 to 16 August 2013:-

	£
• Bank Charges	0 37
• Legal Fees	<u>19,827 50</u>
	<u>19,827 87</u>

6. Remuneration and disbursements

6.1. The Joint Administrators are to be remunerated on a time cost basis by reference to BDO (UK) LLP, formerly PKF (UK) LLP's, normal charge out rates for the time spent by them and their staff.

6.2. As there will be insufficient funds available to enable a distribution to unsecured creditors, in accordance with Rule 2.106(5A), the Joint Administrators will seek specific approval of their remuneration from the secured creditor.

6.3. The Joint Administrators have incurred time costs of £68,890.67 during the period 2 April 2013 to 16 August 2013. This represents 319.88 hours at an average hourly rate of £215. The total time costs incurred during the period 2 October 2012 (Date of Administration) to 16 August 2013 are £192,681.53 (exclusive of VAT). This represents 1,006.85 hours at an average hourly rate of £191. No fees have been drawn to date.

- 6.4. A detailed analysis of the time costs incurred, is enclosed, as Appendix 4, and the charge out rates for the period are summarised as follows -

	Average rate (£ per hour)
Partner / Director	274 - 428
Senior Manager / Manager	189 - 274
Supervisor / Senior Administrator	128 - 170
Administrator / Support Staff	59 - 159

- 6.5 These amounts are derived from BDO LLP's normal rates for time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration. Where members of staff have been employed on this case they have been so based on their experience and abilities in dealing with a case of this nature. Where appropriate, certain staff have dealt with a specific area of the Administration due to their specialist skills in that area.
- 6.6 All staff who have worked on this matter, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the enclosed analysis. The cost of staff employed in central administration functions is not charged directly to the assignment, but is reflected in the general level of charge out rates. It should be noted that BDO LLP's scale rates may increase from time to time over the period of an assignment.
- 6.7 A creditors' guide to fees, which provides information regarding creditors' rights in relation to insolvency practitioners' fees can be obtained by visiting our website at www.bdo.co.uk/cgtf. Alternatively a copy can be sent to any creditor upon request.
- 6.8. The Joint Administrators have not incurred any Category 1 or Category 2 disbursements in the period 2 April 2013 to 16 August 2013.
- 6.9 Category 1 disbursements will generally comprise external supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, advertising, invoiced travel and properly reimbursed expenses incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.
- 6.10. All category 1 disbursements are charged at the actual cost incurred.
- 6.11. Category 2 disbursements will comprise cost allocations which may arise on some of the category 1 expenses where supplied internally. Typically, items such as room hire and document storage. Also typically included will be routine or more specialist copying and printing, and allocated communication costs.
- 6.12. Any secured creditor or unsecured creditor with the concurrence of at least 5% in value of the total unsecured creditors, including the value of their own claim, or with the permission of the Court, may make a formal request in writing to the Joint Administrators for further information about the remuneration or expenses (other than pre-administration costs) set out in this report, pursuant to Rule 2.48A of the Insolvency Rules 1986 as amended. Such request must be made within 21 days of receipt of the progress report.

6 13 Any secured creditor, or unsecured creditor with either the concurrence of at least 10% in value of the total unsecured creditors, including the value of their own claim or the permission of the Court, may make an application to the Court to challenge the Joint Administrators' remuneration or other expenses pursuant to Rule 2 109 of the Insolvency Rules 1986 as amended. Such an application must be made within 8 weeks of receipt of the progress report which first reports the charging of remuneration or the incurring of expenses in question. Formal notification of the application must be sent to the Joint Administrators at least 14 days before the hearing.

7. Concluding Comments

Administration Extension

- 7.1 For the reasons stated earlier in this report, the Joint Administrators have sought an extension of the Administration for a period of 6 months commencing on the anniversary of their appointment, pursuant to Paragraph 76(2)(a) of the Schedule.
- 7.2. I trust the above provides you with sufficient information however, if you require further information or have any questions please contact Elaine Ramage on 0141 249 8441.

Yours faithfully



Bryan A Jackson
Joint Administrator

STATUTORY INFORMATION

Company name	123 Leeds Limited formerly Optical Express (Southern) Limited
Registration number	01873281
Registered office address	BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU
Court details	High Court of Justice, Chancery Division, Companies Court No 7631 of 2012
Administrator(s) details	<p>Bryan A Jackson BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX Appointed 02/10/2012 Resigned</p> <p>Anne Buchanan BDO LLP, 4 Atlantic Quay, 70 York Street, Glasgow, G2 8JX Appointed. 02/10/2012 Resigned.</p> <p>Ian Schofield BDO LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU Appointed. 02/10/2012 Resigned</p>
Function (Schedule B1 para 100(2))	The Joint Administrators are to act jointly and severally in all matters relating to the administration
Appointor's details	The Directors

123 Leeds Limited formerly Optical Express (Southern) Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs		From 02/04/2013 To 16/08/2013	From 02/10/2012 To 16/08/2013
	ASSET REALISATIONS		
468,709 00	Stock	NIL	NIL
632,661 00	Book Debts	NIL	NIL
12,081 00	Cash at Bank	NIL	66,408 96
	Rates Refunds	NIL	NIL
	Sale and Purchase Agreement	NIL	175,000 00
13,444 00	Cash in Hand	NIL	28,186 48
	Bank Interest Gross	107 89	331 30
	Bank Interest Net of Tax	NIL	18 98
1,387,749 00	Tangible Fixed Assets	NIL	NIL
55,406 00	Sales Receivable	NIL	NIL
		<u>107 89</u>	<u>269,945 72</u>
	COST OF REALISATIONS		
	Agents Commission	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	COST OF ADMINISTRATION		
	Public Notices	NIL	69 75
	Insurance of Assets	NIL	332 42
	Bank Charges	0 37	0 37
	Administrators Fees	NIL	NIL
	Administrators Outlays	NIL	NIL
	Pre Appointment Costs and Expenses	NIL	46,335 61
	Legal Fees	19,827 50	30,494 00
		<u>(19,827 87)</u>	<u>(77,232 15)</u>
	PREFERENTIAL CREDITORS		
(442,926 00)	Employees	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	FLOATING CHARGE CREDITORS		
(26,022,414 00)	The Royal Bank of Scotland Plc	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS		
(151,437,703 00)	Trade & Expense Creditors	NIL	NIL
(2,601,199 00)	Employees	NIL	NIL
(554,101 00)	HM Revenue & Customs - CT	NIL	NIL
(10,900,327 00)	HM Revenue & Customs - VAT	NIL	NIL
	HM Revenue & Customs - Stamp Duty	NIL	NIL
(14,977,673 00)	Intercompany	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	DISTRIBUTIONS		
(641,704 90)	Ordinary Shareholders	NIL	NIL
(1,000 00)	Deferred Shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<u>(205,008,997.90)</u>		<u>(19,719.98)</u>	<u>192,713.57</u>

REPRESENTED BY

VAT Receivable	15,373 67
The Royal Bank of Scotland plc - Licens	354,700 72
The Royal Bank of Scotland plc	178,218 65
Licence Fee Deposit - Rent & Service	(355,579 47)
	<hr/>
	192,713 57
	<hr/>



Bryan A Jackson
Joint Administrator

SIP9 Analysis of OfficeHolders Timecosts for the period 02/04/2013 to 16/08/2013

Client: 4022734 123 Leeds Limited

Grade	Partner / Director	Manager	Supervisor / Senior Administrator	Administrator / Assistant	Total	
Average Cost per hour:	£395.00	£234.00	£158.00	£93.00	£215.00	
Tasks	Amount (£)	Hours	Amount (£)	Hours	Amount (£)	Hours
Partner/Senior Manager Review	1,144.50	3.00	0.00	0.00	1,144.50	3.00
Planning & Monitoring	0.00	0.00	0.00	0.00	13.55	0.05
Cashiering Function Generally	294.80	0.80	587.20	2.95	1,115.17	11.43
Office Holders Tax Liabilities	60.50	0.25	188.40	0.80	0.00	0.00
Secured Creditors (reporting/accounting for funds, etc)	0.00	0.00	144.30	0.65	0.00	0.00
Partly Secured Creditors (including of lease and HP)	78.25	0.25	3,163.95	14.40	66.55	0.55
Non Preferential Creditors	0.00	0.00	439.15	1.85	1,059.20	7.45
Employee Claims	0.00	0.00	67.75	0.25	68.00	0.50
Fixed Asset Realisation	0.00	0.00	604.80	3.20	0.00	0.00
Other Asset Realisations	0.00	0.00	455.35	2.50	188.40	1.20
Post Appointment Trading	0.00	0.00	297.60	1.55	0.00	0.00
Legal Correspondence/Litigation	0.00	0.00	536.50	2.75	48.40	0.40
General Administration	2,234.65	5.35	39,317.95	164.20	7,584.95	47.60
Statutory Compliance (including CRO returns and lodger	0.00	0.00	7,565.40	33.00	0.00	0.00
Secretarial	0.00	0.00	0.00	0.00	62.30	1.00
	3,812.70	9.65	53,381.90	228.15	9,901.50	62.80
					1,794.57	19.28
					68,890.67	319.88

SIP9 Analysis of OfficeHolders Timecosts for period 02/10/2012 to 16/08/2013

Client: 4022734 123 Leeds Limited

Tasks	Grade	Partner / Director	Manager	Supervisor / Senior Administrator	Administrator / Assistant	Total
		Amount (£)	Amount (£)	Amount (£)	Amount (£)	
		Hours	Hours	Hours	Hours	
		20 45	0 00	0 00	0 00	
Partner/Senior Manager Review		6,606 35	0 00	0 00	0 00	6,606 35
Planning & Monitoring		281 70	168 95	0 00	0 00	450 65
Cashiering Function Generally		576 50	1,274 80	1,327 65	2,773 84	5,952 79
Office Holders Tax Liabilities		60 50	1,261 35	18 15	0 00	1,340 00
CDDA 1986 Work		0 00	1,731 60	0 00	0 00	1,731 60
Official Receiver/DTI/Court		0 00	19 20	0 00	0 00	19 20
Secured Creditors (reporting/accounting for funds, etc)		0 00	1,266 45	254 10	309 00	1,829 55
Partly Secured Creditors (including of lease and HP)		1,486 75	39,169 75	1,742 40	128 75	42,527 65
Non Preferential Creditors		0 00	1,257 55	3,448 95	1,258 75	5,965 25
Employee Claims		0 00	67 75	598 40	148 20	814 35
Fixed Asset Realisation		234 75	682 50	0 00	8 10	925 35
Other Asset Realisations		78 25	893 05	339 65	0 00	1,310 95
Post Appointment Trading		0 00	774 25	0 00	86 90	861 15
Insurance & Bonding		0 00	621 60	0 00	10 80	632 40
Legal Correspondence/Litigation		0 00	3,862 60	72 60	0 00	3,935 20
General Administration		8,400 75	72,936 65	15,419 70	2,796 00	99,553 10
Statutory Compliance (including CRO returns and lodge)		328 65	15,637 50	0 00	772 50	16,738 65
Pre Appointment Work (including investigation work)		0 00	0 00	0 00	0 00	0 00
Pension Schemes/Liasing with Independent Trustee)		0 00	441 60	0 00	0 00	441 60
Computerisation/IPS		0 00	0 00	0 00	131 94	131 94
Secretarial		0 00	0 00	0 00	913 80	913 80
		18,054 20	142,067 15	23,221 60	9,338 58	192,681 53
		55 15	654 70	172 40	124 60	1,006 85

Average Cost per hour:

£327.00

£217.00

£135.00

£75.00

£191.00