

The Insolvency Act 1986

**Administrator's progress report****2.24B**

Name of Company Travelscope Holidays Limited	Company number 02545702
In the High Court of Justice Chancery Division Companies Court (Full name of court)	For court use only 9644 of 2007

(a) Insert full name(s) and address(es) of administrators


We (a) Paul John Clark, Andrew Gordon Stoneman and Philip Francis Duffy  
MCR  
43-45 Portman Square  
London  
W1H 6LY

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

(b) Insert date

From	To
(b) 21 June 2008	(b) 20 December 2008

Signed



Joint Administrator

Dated

16/1/2009

TUESDAY



A36 20/01/2009 129  
COMPANIES HOUSE

### STATUTORY INFORMATION

<b>Company</b>	Travelscope Holidays Limited	
<b>Date of incorporation</b>	3 October 1990	
<b>Registered number</b>	02545702	
<b>Company director</b>	John Richard Ford, Damsells Mews, The Park, Painswick, Gloucestershire, GL6 6SR	
	Mark Horwood (Resigned 17 December 2007)	
<b>Company secretary</b>	Mark Horwood	
<b>Shareholders</b>	John Richard Ford	
<b>Head office</b>	Pioneer Avenue Gloucester Business Park Gloucester Gloucestershire	
<b>Registered Office</b>	Current:	Formerly:
	43-45 Portman Square London	Pioneer Avenue Gloucester Business Park Gloucester Gloucestershire
<b>Any Other Trading Names</b>	Formerly Travelscope Promotions Limited / TSI	

Financial information (consolidated)	Period Ended 30 September 07 (Draft Management Accounts)	Year Ended 31 December 06 (Audited)	Year Ended 31 December 05 (Audited)	Year Ended 31 December 04 (Audited)
	£	£	£	£
Turnover	47,614,893	75,649,115	63,263,287	38,021,187
Gross Profit	5,230,134	8,698,930	9,803,349	7,387,171
Directors' Remuneration	Not stated	(340,000)	(340,450)	(678,976)
Operating (loss)/profit	(3,808,016)	(2,201,038)	2,457,167	1,269,238
Interest receivable/(payable)	(61,797)	262,872	419,261	379,638
(Loss)/profit before tax	(3,869,813)	(1,938,166)	2,876,428	1,648,876
Tax on (loss)/profit on ordinary activities	Not stated	642,758	(725,693)	(414,114)
Dividends	Not stated	0	0	(7,983)
Retained profit/(loss) for the year	(3,869,813)	(1,295,408)	2,150,735	1,226,779

**Travelscope Holidays Limited**  
**(In Administration)**  
**Receipts and Payments**

	Statement of Affairs Estimated Realisable Value £	21 December 2007 to 16 January 2009 £
<b>RECEIPTS</b>		
Freehold Property	6,000,000.00	0.00
Sale of Business - Initial Consideration	0.00	60,000.00
Sale of Business - Deferred Consideration	0.00	50,000.00
Cash at Bank	1,202,894.00	3,273.56
HSBC Fixed Term Investment - 1	0.00	350,000.00
HSBC Investment Portfolio	2,764,414.00	2,000,000.00
Office furniture and equipment and software	50,000.00	8,565.78
Motor Vehicle	6,500.00	7,000.00
Director's Loan Account	886,213.00	0.00
Bank Interest	0.00	9,652.87
Pre-Appointment VAT Receivable	890,261.00	0.00
Corporation Tax Refund	0.00	882,092.10
Terminal Loss Relief Claim	0.00	118,230.30
Trade Debts - Excursion Income	0.00	68,419.98
Trade Debts - Newmarket Promotions	0.00	368,853.95
Trade Debts - Travel Agent Debts	0.00	28,058.60
Trade Debts - General	476,068.00	65,122.00
Pre-paid Event Tickets	0.00	44,475.33
Passenger Receipts	0.00	14,408.00
Passenger Overpayment Refunds	0.00	3,088.76
Petty Cash	0.00	8,391.41
Rates Refund	0.00	54,054.66
Life Insurance Refund	0.00	5,430.40
Investments	40,000.00	53,574.35
Commission	0.00	123.31
Sundry Income	0.00	3,806.87
Data extraction fee	0.00	705.00
<b>TOTAL RECEIPTS</b>	<b>12,316,350.00</b>	<b>4,207,327.23</b>
<b>PAYMENTS</b>		
Rates		(56,610.00)
Security & Property Related Expenses		(26,998.96)
Joint Administrators' remuneration		(1,350,000.00)
Joint Administrators' disbursements		(23,218.01)
Legal fees & disbursements - Davenport Lyons		(159,556.16)
Legal fees & disbursements - Clyde & Co		(221,398.98)
Legal fees & disbursements - Other		(36,370.05)
Accountancy Fees		(51,002.70)
PR Consultancy Fees		(12,402.20)
Agents Fees & Disbursements - Equipment		(29,550.00)
Agents Fees & Disbursements - Property		(17,792.27)
Wages and salaries including PAYE & NIC		(113,563.54)
Pension Contributions		(4,678.24)
Consultancy Fees - Former Staff		(13,874.21)
IT Maintenance & Website Costs		(19,300.48)
Utilities		(43,752.59)
Water Rates		(5,412.85)
Telephone and Facsimile		(392.55)
Statutory advertising		(6,988.41)
Storage Costs		(7,224.25)
Bank charges		(114.22)
Pension Advisory Services		(900.00)
Printing costs		(21,101.66)
Cost of convening creditors' meeting		(3,977.85)
Redirection of mail		(488.50)
Vehicle Maintenance Costs		(10.00)
Employee expenses		(1,767.41)
Land Registry Fees		(10.00)
<b>TOTAL PAYMENTS</b>		<b>(2,228,456.09)</b>
<b>BALANCE OF ESTATE</b>		<b>1,978,871.14</b>
<b>MADE UP AS FOLLOWS</b>		
VAT Receivable		43,125.43
VAT Payable		(1.74)
General Current Account		182,052.79
Funds on Deposit		1,750,000.00
Credit Card Account		3,694.66
General VAT Control Account		0.00
		<b>1,978,871.14</b>

# Travelscope Holidays Limited (In Administration)

## Analysis of Joint Administrators' Time Costs for the period 21 December 2007 to 31 December 2008

Classification of Work Function	Hours					Total Hours	Time Cost	Average Hourly Rate
	Partner	Manager	Senior	Assistants	Support			
							£	£
Strategy planning & control	489.60	163.20	83.80	314.40		1,051.00	286,224.50	272.34
Unsecured creditors	15.20	113.00	449.80	677.70		1,255.70	205,687.50	163.80
General admin	2.70	348.70	225.90	781.80	92.70	1,451.80	157,075.50	108.19
Investigations (inc. antecedant transactions)	34.40	236.00	338.90	141.00		750.30	129,122.50	172.09
Trading - operations	3.90	118.90	287.50	222.80		633.10	115,013.00	181.67
General correspondence	43.30	59.40	20.40	276.00		399.10	65,290.50	163.59
Statutory meetings & reports	62.40	15.20	103.40	150.20		331.20	64,384.50	194.40
Sale of business	13.70	203.40	1.00	19.50		237.60	64,038.00	269.52
Book debts	2.80	93.00	162.90	38.20		296.90	63,544.50	214.03
Employee matters	0.50	73.40	14.30	162.60		250.80	39,463.50	157.35
Creditors committee	18.40	71.90	21.00	14.20		125.50	33,278.00	265.16
Proposals	16.30	40.10	35.00	36.80		128.20	28,175.00	219.77
Floating charge assets	54.00	12.90	54.10	63.70		184.70	38,901.50	210.62
Cashiering & accounting	9.10	5.60	25.90	72.50		113.10	18,927.50	167.35
Financial review	0.40	41.40	25.30	1.80		68.90	16,581.50	240.66
Fixed charge assets	7.00	16.20	8.10	17.20		48.50	11,215.00	231.24
Meetings	10.30	6.40	18.60	7.30		42.60	9,695.00	227.58
CDDA reports	0.90	12.70	2.20	31.80		47.60	8,169.00	171.62
Secured Creditors	3.20	15.70	7.50	4.00		30.40	7,405.00	243.59
Statement of affairs	0.50	1.60	16.60	20.70		39.40	6,354.00	161.27
Trading - accounting		1.60	3.40	30.20		35.20	5,419.50	153.96
IPS set up & maintenance		1.30	0.20	24.10		25.60	3,063.00	119.65
Closings			6.00	5.20		11.20	1,835.00	163.84
Retention of title		3.40		0.90		4.30	852.50	198.26
Reporting to appointor				7.60		7.60	380.00	50.00
Preferential creditors			0.20	2.50		2.70	335.00	124.07
<b>Total Hours</b>	<b>788.60</b>	<b>1,655.00</b>	<b>1,912.00</b>	<b>3,124.70</b>	<b>92.70</b>	<b>7,573.00</b>	<b>1,380,430.50</b>	<b>182.28</b>
<b>Total Fees Claimed (£)</b>	<b>284,704.00</b>	<b>360,524.50</b>	<b>399,667.00</b>	<b>333,681.00</b>	<b>1,854.00</b>		<b>1,380,430.50</b>	

## Analysis of category 2 disbursements

Classification of Work Function	Details of Payee	£
	NONE	
<b>Total</b>		<b>0.00</b>

**Travelscope Holidays Limited  
Travelscope (Stonehouse) Limited  
Travelscope Air Holidays Limited  
Travelscope Air Holidays (Stonehouse) Limited  
Travelscope Cruises Limited  
Travelscope Wholesale Limited  
Travelscope Promotions Limited  
Travelscope Retail Limited  
(All in Administration)  
(together "the Companies")**

**Joint Administrators' Progress Report to Creditors  
for the period from 21 June 2008 to 20 December 2008  
pursuant to Rule 2.47(1) of the  
Insolvency Rules 1986 as amended**

**16 January 2009**

**Names of Joint Administrators:**

Paul John Clark

Andrew Gordon Stoneman

Philip Francis Duffy

**Date of appointment:**

21 December 2007

**Date of report:**

16 January 2009

**Appointed by:**

Director - John Richard Ford

**Court reference:**

**Royal Courts of Justice Reference**

Travelscope Holidays Limited	9644 of 2007
Travelscope (Stonehouse) Limited	9642 of 2007
Travelscope Air Holidays Limited	9659 of 2007
Travelscope Air Holidays (Stonehouse) Limited	9645 of 2007
Travelscope Cruises Limited	9648 of 2007
Travelscope Promotions Limited	9651 of 2007
Travelscope Retail Limited	9640 of 2007
Travelscope Wholesale Limited	9646 of 2007

**MCR**  
**43-45 Portman Square**  
**London**  
**W1H 6LY**



**CORPORATE  
RESTRUCTURING**

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## **1. INTRODUCTION**

- 1.1 Paul John Clark, Andrew Gordon Stoneman and Phillip Francis Duffy of MCR were appointed Joint Administrators of Travelscope Holidays Limited ("THL"), Travelscope (Stonehouse) Limited, ("TSL"), Travelscope Air Holidays ("TAH"), Travelscope Air Holidays (Stonehouse) Limited ("TAHS"), Travelscope Cruises Limited ("TC"), Travelscope Promotions Limited ("TP"), Travelscope Retails Limited ("TR"), Travelscope Wholesale Limited ("TW") (together "the Companies") on 21 December 2007.
- 1.2 Each of the above appointments were made by the director of the Companies, being John Richard Ford, pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986.
- 1.3 In accordance with Paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the functions of the Joint Administrators are being exercised jointly and severally.
- 1.4 In accordance with Paragraph 76(2)(b) of Schedule B1 to the Insolvency Act 1986 (as amended), the Joint Administrators extended the terms of the Administration by a period of twelve months after seeking consent of the Court.
- 1.5 The extension was necessary so that the Joint Administrators may conclude their obligations in respect of the sale of the property, the conclusion of the tax refunds from HMRC and any other outstanding matters that need to be dealt with by the Joint Administrators.
- 1.6 This report should be read in conjunction with my earlier reports to creditors dated 8 February 2008 and 16 July 2008.

## **2. BACKGROUND**

- 2.1 Statutory information on each of the Companies and summaries of their financial positions are set out in Appendix 1.
- 2.2 Further information regarding the Companies' background and the events leading up to the appointment of the Joint Administrators is contained in my previous reports dated 8 February 2008 and 16 July 2008.

### **Travelscope Holidays Limited**

- 2.3 THL, being the main trading company, was incorporated on 3 October 1990 and commenced trading in 1992 from freehold premises located in Stonehouse, Gloucestershire offering surface based holidays and tours, advertising in local, regional and national newspapers and magazines. In 1996, THL also commenced offering air based holidays for customers.

### **Travelscope (Stonehouse) Limited**

- 2.4 TSL was incorporated on 15 December 1995.
- 2.5 TSL was established for the purpose of being the entity through which the Business incurred liabilities and made payments to all surface transport suppliers, such as coach operators. The Companies' advisors and employees have advised that this structure was adopted in order to be tax efficient, and to maximise the Companies' Tour Operators Margin Scheme ("TOMS") return.

#### **Travelscope Air Holidays Limited**

- 2.6 In 1996 directors of THL decided to commence offering air tours and air holidays to customers. In order to do so, it was necessary to apply for an Air Travel Organisers' Licence ("ATOL").
- 2.7 In light of the above, TAH was established in 1996 as the operating entity for all air tours conducted by the Business. This continued up until 31 December 2004, at which time the Business operations of the Companies were restructured, and all air tour operations were transferred to THL.

#### **Travelscope Air Holidays (Stonehouse) Limited**

- 2.8 TAHS was incorporated on 7 June 1996.
- 2.9 During the period between 1996 to the end of 2004 in which TAH was the operating entity for all air tours, TAHS was the entity through which payments were made to air orientated transport suppliers, such as the airlines. The Companies' advisors and employees have again advised that this structure was adopted in order to be tax efficient, and to maximise the Companies' Tour Operators Margin Scheme ("TOMS") return.

#### **Travelscope Cruises Limited, Travelscope Wholesale Limited, Travelscope Promotions Limited, Travelscope Retail Limited ("the above Companies")**

- 2.10 Companies House records show that each of the above Companies filed dormant company accounts for the period ended 31 December 2006. It is understood that the above Companies have no assets or direct liabilities.
- 2.11 It is understood that the above Companies were incorporated to protect the product names and intellectual property of the Business.

#### **Go For It! Holidays Limited, Just Friends Limited, Just Friends Travel Limited, Skiscope Limited, Studyscope Limited, TLC Offers Limited, Travel and Leisure Limited, TSI Limited, TSI Business to Business, Travelscope Scotland Limited ("the Dormant Companies")**

- 2.12 The Joint Administrators were also appointed Administrators of the above dormant group companies. The Administrations of the Dormant Companies ended on 14 August 2008 and the Dormant Companies were subsequently dissolved.

### **3. COMMITTEE OF CREDITORS**

- 3.1 As discussed in the previous report, a Committee of Creditors for THL was formed at the creditors' meeting held on 27 February 2008 with the following members:
1. Ace European Group Limited
  2. Classic International Cruises SA
  3. Coface UK
  4. IATA
  5. Newsquest Media Group Limited

- 3.2 A Committee of Creditors for TAH was formed at the creditors' meeting held on 27 February 2008 with the following members:
1. Ace European Group Limited
  2. HCC International Insurance Company Plc
  3. Coface UK
  4. Newsquest Media Group Limited
- 3.3 On 13 March 2008, 17 April 2008, 26 August 2008 and 12 November 2008, the Joint Administrators sent detailed reports to the Committee of Creditors for THL regarding the progress of the administration and committee meetings were held on 18 April 2008 and 17 November 2008. Further communications including conference calls have taken place.
- 3.4 All members of the Committees of Creditors have signed confidentiality agreements and accordingly have received more detailed information regarding a number of the issues discussed in this report. Unfortunately due to the sensitive and confidential nature of this information the Joint Administrators are unable to provide the remaining creditors with copies of the reports to the Committee.

#### **4. ASSET REALISATIONS**

##### **Sale of Business Assets (THL)**

- 4.1 The sale of certain business assets of THL to Phoenix Holidays Limited ("PHL") was completed on 17 January 2008 for consideration of no less than £110,000 plus VAT. The consideration paid on completion was £60,000 plus VAT, with a further payment for the minimum additional consideration of £50,000 plus VAT was due on 17 July 2008. The minimum consideration of £110,000 has been received.
- 4.2 The additional consideration is to be calculated as 2.5% of the purchaser's revenue for the first 12 months to 17 January 2009, which is attributable to the data transferred under the sale; together with further additional consideration equivalent to 5% of the basic holiday costs of any passenger claims assigned to the purchaser. The additional consideration is due to be paid on a quarterly basis.
- 4.3 No additional consideration was due from PHL with respect to the quarter ending 17 October 2008. The Joint Administrators are awaiting documentation from PHL regarding the additional consideration payable over and above the £110,000 already paid for the final quarterly period.
- 4.4 PHL endeavoured to rescue as many of the forward holiday bookings as possible. Whilst a large number of customers rebooked their holidays with PHL it remains difficult to estimate the total value that may be realised from the additional consideration.

##### **Cash at Bank and Investments – HSBC (THL/TAH)**

###### Managed Investment Portfolio – Absolute Account

- 4.5 The Joint Administrators have been in regular dialogue with HSBC concerning the investment portfolio. On 22 April 2008, the Joint Administrators instructed HSBC to commence the realisation of the investment portfolio.
- 4.6 HSBC confirmed that the Investment Portfolio was fully liquidated for a total value of £2,752,588 and subsequently released £2,000,000 to the Administration account on 2 January 2009. The balance of the funds is being held in a high interest deposit account with HSBC.

- 4.7 It should be noted that the investment assets have been pledged in favour of HSBC in consideration for potential chargebacks that may be made against HSBC as the merchant acquirer of the Companies.

Fixed Term Investment Accounts

- 4.8 THL holds two fixed term investment accounts with HSBC. These accounts were opened in April 2003 and April 2004 with initial deposits of £300,000.
- 4.9 The first investment account matured on 23 April 2008 with a value of £375,427 while the second is due to mature on 7 April 2009 with an indicative return as at 17 April 2008 of £397,431. The Joint Administrators have requested from HSBC an updated indicative return with respect to the term deposit due to mature on 7 April 2009.
- 4.10 On 26 June 2008, HSBC released £350,000 of the first investment account to the Joint Administrators in order to fund the day to day running of the administration.

Bank Accounts

- 4.11 THL and TAHL operated various bank accounts with HSBC set up in sterling and foreign currency denominations.
- 4.12 Based upon exchange rates as at 21 December 2007 the consolidated balance of all bank accounts held with HSBC at the time of the appointment of Joint Administrators was circa £1.203m as follows:

Company	Balance (£)
Travelscope Holidays Limited ("THL")	175,313.54
Travelscope Air Holidays Limited ("TAH")	1,027,580.74
<b>TOTAL</b>	<b>1,202,894.28</b>

- 4.13 As discussed in the previous report, the Joint Administrators' legal advisers have reviewed the available banking documentation and mandates to advise on the ownership of funds held in the THL and TAH bank accounts as at the date of the administration. The legal view is that all funds held by HSBC are for the benefit of THL, regardless of the designation of the bank account(s). Therefore any monies held in the bank accounts of TAH are held in trust for THL.
- 4.14 Further to the above, the Joint Administrators have also instructed legal advisers to consider the standing and likely magnitude of any claim by IATA under its trust arrangements. The legal view is that the IATA trust arrangements are valid.
- 4.15 The initial findings from the IATA tracing process were forwarded to IATA's solicitors for their consideration. The Joint Administrators are in discussions with IATA's solicitors to establish the extent of the funds impressed by the IATA trust.
- 4.16 The Joint Administrators have received a letter from Druces LLP, the solicitors for ACE European Group Limited, notifying them that the passengers of THL and therefore ABTA and the bond obligors have a trust claim to monies held in THL's bank accounts pursuant to Regulation 20 of The Package Travel Regulations 1992.
- 4.17 The Joint Administrators have forwarded a copy of the letter from Druces LLP to their solicitors for their advice with respect to the validity of the passengers' claim. It is not expected that the passengers have a valid trust claim to the monies held in THL's bank accounts, but this currently remains unresolved.

#### **Freehold Property (THL)**

- 4.18 The freehold property at Pioneer Avenue, Gloucester Business Park, Gloucester, GL3 4AW ("the Property") is mortgaged in favour of The Royal Bank of Scotland plc ("RBS") in relation to a legal charge dated 9 December 2006 and subject to a charging order in favour of Classic International Cruises ("CIC") which was granted on 13 December 2007.
- 4.19 The Joint Administrators instructed both Hammonds Solicitors and GVA Grimley ("Grimleys") to act in respect of the Property matters including the marketing of the Property for sale.
- 4.20 The first formal offer for the Property was received on 29 September 2008.
- 4.21 On 30 October 2008, Grimley received an offer from an interested party which the Joint Administrators have accepted subject to contract. The offer is also subject to a number of conditions which are currently being resolved by Grimley and are not expected to prove problematic.
- 4.22 The Joint Administrators issued the interested party with a contract with respect to the sale of the property and is hoping to exchange contracts in January 2009.

#### **Office Furniture and Equipment (THL)**

- 4.23 As previously advised, Edwards Symmons LLP conducted a valuation of the office furniture and equipment at the Property, the Bristol premises and some servers located at a storage facility in Kent. The valuation provided in-situ and ex-situ values for the office furniture and equipment of £233,000 and £73,000 respectively.
- 4.24 As previously reported, a quantity of office equipment and furniture was sold to Phoenix Holidays Limited. The remaining assets will be sold in due course either as part of the sale of the Property or by Edwards Symmons LLP. Edward Symmons LLP have advised that the market prices for office equipment have fallen during the last year and as a result a lower total realisation is expected. The Joint Administrators are however content that any fall in value has been compensated by an improved realisation from the sale of the Property.

#### **Motor Vehicle (THL)**

- 4.25 Edward Symmons LLP sold THL's motor vehicle, being a Jaguar, for £7,000.

#### **British Airways & Virgin Atlantic Fuel Surcharge Refund**

- 4.26 A settlement was reached in a class action lawsuit filed in a U.S. court related to fuel surcharges paid by passengers of British Airways plc ("BA") and Virgin Atlantic Airways Ltd ("Virgin"). The lawsuit claimed that BA and Virgin unlawfully conspired to fix prices of fuel surcharges imposed on long-haul passenger fares between 11 August 2004 and 23 March 2006.
- 4.27 In the UK, the settlement requires BA and Virgin to refund up to £73,531,076 to members of the UK Settlement Classes who submit valid claim forms.

- 4.28 A class member is a passenger who purchased a coupon for long haul passenger air travel from BA for travel on a flight operated by BA or from Virgin for travel on a flight operated by Virgin. The purchase must have been in the United States or UK between 11 August 2004 and 23 March 2006 and included a long haul fuel surcharge that was not refunded. This claim is available either to the passengers, or if the surcharge was not passed on it is available to the travel agent or tour operator. The Companies did not pass on the surcharge to the customers.
- 4.29 The refunds vary between £1 and £11.50 per long haul flight.
- 4.30 For the Companies to lodge a claim for a refund, the Joint Administrators were required to collate and provide the Settlement Administrator with details of all long haul flights booked with BA and Virgin by the Companies during the above period.
- 4.31 In November 2008, the Joint Administrators re-activated the THL booking system and extracted the information required to lodge a claim. The Joint Administrators have compiled the information relating to approximately 55,000 passengers who flew with BA or Virgin during the above period.
- 4.32 The Joint Administrators are currently verifying which of the Companies, being THL, TAH, TSL or TAHS, are entitled to lodge the claim for the above period and intend on lodging the claim shortly.

#### **Director's Loan Account (THL)**

- 4.31 As previously advised, THL's records indicate that £685,584 plus interest is owed to THL by John Richard Ford ("RF").
- 4.32 Ace European Group Limited instructed Solicitors to issue bankruptcy proceedings against RF. The petitioning creditors have advised that the Bankruptcy Petition against RF was adjourned on three separate occasions on the basis that RF was maintaining an objection to the making of a Bankruptcy Order.
- 4.33 On 17 September 2008, RF was made bankrupt by the Court and Mark Newman of Vantis was subsequently appointed Trustee of RF's bankrupt estate.
- 4.34 The Joint Administrators have written to Mark Newman and submitted the Company's claim in the Bankrupt Estate for £931,099.14 (including interest) with respect to the outstanding directors' loan account.
- 4.35 The Joint Administrators have also notified Mark Newman of the Company's interest in the various properties held in the name of RF. The Joint Administrators have claimed a proprietary right over certain properties on behalf of THL.

#### **Other Debts (THL)**

##### Pre-Paid Event Tickets

- 4.36 At the time of the Joint Administrators' appointment, THL had purchased circa £57,500 plus VAT worth of event tickets including tickets to the Edinburgh Military Tattoo, Ascot Racecourse and various exhibition tickets.
- 4.37 All of the above tickets have now been sold for a value of £44,475.33 excluding VAT.

#### Excursion Income

- 4.38 As at the date of the Joint Administrators' appointment, there was outstanding excursion income due to THL which had been collected by the tour managers from passengers but not yet remitted to THL.
- 4.39 At the time of writing this report, £68,419.98 has been recovered from this source. The Joint Administrators do not expect any further realisations from this source.

#### Commissions

- 4.40 THL's accounts show outstanding balances of circa £527,000 owed by various business partners on account of commissions due.
- 4.41 The Joint Administrators have concluded their review of these accounts and have realised £368,853.95 from this source and no further realisations are expected.

#### Travel Agent Debtors

- 4.42 The Joint Administrators wrote to a number of travel agents who acted on behalf of THL prior to the Company entering administration requesting trust monies collected on behalf of THL be forwarded to THL less commissions due. The Joint Administrators have realised £27,888.60 from this source to date.

#### **Investments (THL)**

##### Sun Life International (IOM) Limited

- 4.43 In January 1999, THL invested £20,000 in ten £2,000 Managed Protector Portfolios with Sun Life International (IOM) Limited ("Sun Life").
- 4.44 The Joint Administrators have closed these portfolios and realised net proceeds of £28,498.06 from this source.

##### Scottish Mutual Investments Limited

- 4.45 In January 1999, THL invested £20,000 in a Universal Capital Account with Scottish Mutual Investments Limited ("Scottish Mutual").
- 4.46 The Joint Administrators have closed this account and realised net proceeds of £25,076.29 from this source.

#### **VAT Refund (THL)**

- 4.47 The Joint Administrators instructed the Companies' former auditors Elman Wall Chartered Accountants ("Elman Wall") to conduct a review of the financial accounts and lodge the Companies' outstanding returns with HM Revenue & Customs ("HMRC") and obtain a refund of the amount due.
- 4.48 Elman Wall have completed the pre-appointment VAT and TOMS returns and submitted to HMRC. The returns indicate a refund due of £619,473 although this is subject to ongoing review and Crown set off.

- 4.49 The Crown is likely to invoke its statutory right of set-off with respect to monies owed by the Company for PAYE and Class 1 Secondary National Insurance contributions and for employees' claims subrogated to the Redundancy Payments Office.

**Terminal Loss Relief (THL)**

- 4.50 Given that the Company paid Corporation Tax during the three year period prior to entering Administration, a terminal loss relief claim has been submitted to HM Revenue & Customs by Elman Wall which shows a refund due of circa £606,000.
- 4.51 A cheque for £118,230.30 was banked into the Administration account on 28 August 2008. HMRC are currently reviewing the remaining position. The Crown is likely to invoke its statutory right of set off as discussed above.

**Other Assets (THL)**

- 4.52 Petty cash of £8,391.41 has been realised by the Joint Administrators.
- 4.53 A private medical plan refund of £5,430.40 has been realised by the Joint Administrators.

**Receipts and Payments**

- 4.54 Detailed receipts and payments accounts for the Companies are shown in Appendix 2.

**5. INVESTIGATIONS**

- 5.1 The Joint Administrators submitted their report on the Companies' directors' conduct to the Department of Trade and Industry on 13 June 2008.
- 5.2 The contents of this report are confidential. Should any creditor have any further information that they consider should be taken into account by the Joint Administrators when considering the management and conduct of the Companies' affairs then the Joint Administrators would ask that you put such information to them in writing.
- 5.3 Various other matters are subject to ongoing investigation. These issues have been fully aired in discussions with the Committee of Creditors

**6. DIVIDEND PROSPECTS / PRESCRIBED PART**

**Secured Creditors**

The Royal Bank of Scotland plc ("RBS")

- 6.1 As previously reported, in consideration for the monies advanced by RBS, THL granted RBS a legal charge over the freehold property in Gloucester.
- 6.2 At the date of the Joint Administrators' appointment, THL's indebtedness to RBS was approximately £1,738,679 subject to accruing interest and charges.
- 6.3 The Joint Administrators expect that there will be sufficient realisations from the sale of the Property to repay RBS in full and to provide surplus funds to the administration estate.

HSBC

- 6.4 As previously advised, in consideration of the merchant acquirer facilities provided by HSBC, THL pledged certain of its investments and cash deposits to HSBC as security. In addition, other companies within the Travelscope group guaranteed THL's performance.
- 6.5 On 25 January 2008 the Joint Administrators received an estimate of HSBC's indebtedness of £1,159,202 on the basis that ABTA and ATOL are sufficiently bonded. The total potential credit card chargebacks position is believed to be £2,977,437.
- 6.6 On 16 January 2009, the Joint Administrators received confirmation from HSBC that the current level of chargebacks paid out to that date totalled £474,911.06. As discussed above, the Joint Administrators are continuing to liaise with HSBC regarding the level of customer chargebacks received, and the release of surplus THL assets. Given that almost twelve months has passed since the Companies entered administration, it is not anticipated that the claims will reach the previously estimated level.
- 6.7 The charge back period expires six months after the date in which a holiday was due to take place. Accordingly, the last day whereby a charge back could potentially occur is 4 July 2010 being six months after the most forward booking of 4 January 2010. However it is envisaged that HSBC will monitor the quantum of potential charge backs and withhold monies to cover their respective exposure. Therefore the Joint Administrators would expect further funds to be released from HSBC on a piecemeal basis over the forthcoming period up to the final long stop date.

Classic International Cruises ("CIC")

- 6.8 THL formerly operated two ocean going cruise ships. These were the 'Athena' owned by CIC and the 'Van Gogh' owned by Club Cruise. In March 2007, the directors decided to consolidate to one cruise ship, the Van Gogh. The fallout of terminating arrangements with the owner of one of the cruise liners CIC, is that a legal battle commenced with CIC pursuing THL for some £3.5m in respect of sums allegedly due, liquidated damages and fuel surcharge which culminated in an arbitration hearing in September 2007.
- 6.9 The September 2007 hearing resulted in CIC obtaining a Partial Arbitration Award ("Award") for £1.86m against THL together with an award of legal costs. The arbitrators also ordered that CIC were entitled to retain a further £511,493 that had been paid them prior to the cancellation and were also entitled to £1m liquidated damages. In so far as the liquidated damages were concerned, however, the arbitrators ordered that THL were entitled to set off any counterclaims that they might have arising out of the charter against the sum if proven.
- 6.10 By an interim Charging Order dated 3 December 2007 granted by the High Court, CIC were granted a Charging Order over THL's principal asset being the freehold property in Gloucester for the then outstanding balance of the Award. At a further hearing at the High Court on 13 December 2007, the interim order was made final in the sum of £1.5m by consent.
- 6.11 As previously advised, the Joint Administrators have instructed Davenport Lyons to seek Counsel's opinion regarding the validity of CIC's security including the events surrounding the granting of the charge. The Joint Administrators have also sought Counsel's advice with respect to the Company's counter claim against CIC and the balance of CIC's claim. This is subject to further investigation.

### Preferential Creditors

- 6.12 The Joint Administrators have received notification of the preferential creditors' claims of £685.88 following payment by the Redundancy Payments Office. Accordingly at this stage, it is anticipated that there will be sufficient funds available to enable a payment in full to preferential creditors.

### Non Preferential Creditors

- 6.13 As previously reported, according to Mark Horwood's statement of affairs ("SOA") non-preferential creditors for THL total £19,829,192. Outlined below is a summary of the amounts recorded in the SOA and the amounts claimed to date:

	SOA Amount (£)	Claimed Amount (£)
Trade & Expense Creditors	3,259,662	10,340,908
Passenger prepayments (subrogated to Obligors/HSBC as merchant acquirer)	10,219,467	10,504,469
Club Cruise Claim	865,055	2,003,114
Inter-company loans	5,221,521	5,221,521
Pension Creditor	21,521	Nil
HM Revenue & Customs – PAYE/VAT	241,966	157,212
The Insolvency Service – Employees Claims	Nil	215,267
IATA	Nil	1,761,111
<b>Total</b>	<b>19,829,192</b>	<b>30,203,602</b>

- 6.14 As previously reported, according to Mark Horwood's statement of affairs ("SOA") non-preferential creditors for TSL total £3,467,260. Outlined below is a summary of the amounts recorded in the SOA and the amounts claimed to date:

	SOA Amount (£)	Claimed Amount (£)
Trade & Expense Creditors	703,812	487,260
IATA	1,936,579	Nil
Passenger prepayments (subrogated to Obligors/HSBC as merchant acquirer)	uncertain	10,504,469
Accruals & deferred income	826,869	Nil
HM Revenue & Customs - VAT	Nil	164,645
<b>Total</b>	<b>3,467,260</b>	<b>12,965,820</b>

- 6.15 It should be noted that although the SOA for TSL shows an amount owing to IATA of £1,936,579, IATA have lodged its claim against THL. The Joint Administrators acknowledge IATA's claim is against THL not TSL.
- 6.16 The non-preferential creditor position for all remaining Companies remains uncertain but in any event no distribution is anticipated in any company other than THL.
- 6.17 Based upon the current information available it is likely that there will be sufficient realisations to enable a distribution to the non-preferential creditors of THL only. The prospect of a distribution to the non-preferential creditors of other Travelscope companies is unlikely.
- 6.18 The exact quantum and timing of the abovementioned dividend on THL remains uncertain and is largely dependent upon the sale of the Property, the extent of the final tax refunds and the release of the balance of monies held by HSBC.

#### Trade & Expense Creditors

- 6.19 The trade and expense creditor values have been taken from Mark Horwood's statement of affairs ("SOA"). Whilst efforts have been made by the Companies' finance team to bring these accounts as up to date as possible, it is accepted that these figures may vary to the actual claims received from creditors.
- 6.20 Details of claims received to date for THL and TSL are included at paragraph 6.13 and 6.14 respectively.
- 6.21 To date, the Joint Administrators have received claims totalling £923,737 excluding the Bond Obligor claims in respect of TAH.
- 6.22 To date, the Joint Administrators have received claims totalling £16,434 excluding the Bond Obligor claims in respect of TASH.
- 6.23 Whilst the Joint Administrators are yet to assess all filed claims against the Companies, it appears that the statement of affairs prepared by Mark Horwood underestimates the overall magnitude of the Companies' liabilities.

#### Bond Obligors

- 6.24 On 11 December 2008, the Joint Administrators received confirmation from ABTA that the claims paid by ABTA totalled £7,809,653.
- 6.25 On 11 December 2008, the Joint Administrators received confirmation from ATOL that claims paid by ATOL to date totalled £2,370,000.
- 6.26 The bond obligors' ABTA and ATOL bonds total £10,234,800 and £4,800,000 respectively.
- 6.27 The bond obligors have provided copies of their bonding agreements with the Companies and the counter indemnities. The result of these agreements and the indemnities is that the majority of the bond obligors are creditors of more than one of the Companies.
- 6.28 To date, the Joint Administrators have received claims totalling £10,504,469 from the Bond Obligors in respect of the Companies.
- 6.29 The deadline for all passengers to submit refund claims to ABTA passed on 20 June 2008 being six months since the appointment of the Joint Administrators. Accordingly passengers with failed or late claims through ABTA are now being referred to the Joint Administrators in order to register as unsecured creditors of THL.
- 6.30 The deadline for all passengers to submit refund claims to ATOL passed on 20 December 2008 being twelve months since the appointment of the Joint Administrators. Accordingly passengers with failed or late claims through ATOL are now being referred to the Joint Administrators in order to register as unsecured creditors of THL.

#### International Air Transport Association ("IATA")

- 6.31 As previously advised, the November and December 2007 BSP payments to IATA which total circa £2.2m remain outstanding. Against this IATA had the benefit of a bond for slightly in excess of £900,000 which has been paid and the bond obligor will be subrogated to IATA's trust claim for that amount. It is not yet clear what funds are likely to be paid to IATA under its trust arrangements.

- 6.32 The Joint Administrators have received a claim from IATA for £1,761,111.

Inter-Company Debts

- 6.33 The accounts of the Companies show that inter-company loans were transacted between the entities, and as at the date of the Joint Administrators' appointment, the accounts disclosed that THL owed three group companies as follows:

Company	Amount (£)
TSL	3,523,130
TAH	1,621,796
TAHS	76,585
<b>TOTAL</b>	<b>5,221,511</b>

Club Cruise

- 6.34 The Joint Administrators have received a claim from Club Cruise, the owners of the Van Gogh, against THL for £2,677,944 which relates the following:
- Port costs paid by Club Cruise on behalf of THL;
  - Additional bunker costs; and
  - Cancellation charges with respect to the termination of the Charter Agreement on 19 December 2007.
- 6.35 THL has a claim against Club Cruise regarding the cancellation of the Charter Party Agreement. THL have written to Club Cruise's solicitors with respect to the Company's claim. Due to the sensitive nature of this matter, the Joint Administrators are not able to comment further on the merits of the case between Club Cruise and THL.

**7. COSTS AND EXPENSES**

- 7.1 A detailed receipts and payments account is shown in Appendix 2.
- 7.2 The Joint Administrators' time costs for each of the Companies, for the period from the date of their appointment, 21 December 2007 up to and including 31 December 2008 are as follows:

Company	Amount (£)
THL	1,380,431
TSL	6,621
TAH	15,099
TAHS	4,785
TWL	966
TCL	5,299
TPL	5,074
TRL	3,503

- 7.3 Schedules of these time costs with an appropriate analysis are set out in Appendix 3.
- 7.4 It should be noted that the majority of time spent by the Joint Administrators in respect of the administrations has been recorded against THL as this was the main trading entity of the group and the Company which owned all assets with material values.

- 7.5 To date, remuneration of £1,350,000 plus VAT has been paid from the estate of THL. No further remuneration has been drawn from the other companies

## **8. END OF THE ADMINISTRATION**

- 8.1 The Joint Administrators are seeking to conclude matters in this case to include realising the outstanding assets of the Company.
- 8.2 This matter was brought before court on 17 December 2008 to extend the Administration by a further 12 months. The administration was extended until 20 December 2009.
- 8.3 As discussed above, the extension is necessary so that we may continue with the investigations into the affairs of the Company, finalise the collection of the remaining assets and finalise the collection of the deferred consideration.

## **9. CONCLUSION**

- 9.1 The Joint Administrators shall continue their review of the Companies and report to you in a further 6 months.
- 9.2 The Joint Administrators shall be pleased to provide any additional information that you may require.



**Paul Clark**  
Joint Administrator