

The Insolvency Act 1986

2.24B(CH)**Administrator's progress report**

Name of Company Erinaceous Group Plc	Company number 03732607
In the High Court of Justice	Court case number 3014 of 2008

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

from 14 April 2012	to 25 September 2012
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Signed

Ed Boyle
Former Joint Administrator

Dated

24 October 2012

Contact Details:

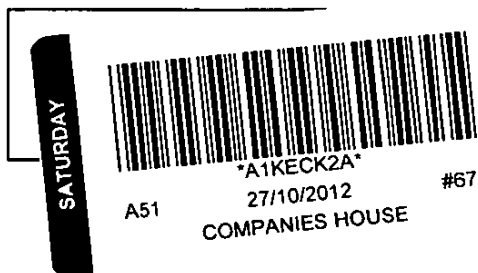
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Erinaceous Group Plc – in liquidation (formerly in administration)

Administrators' final progress report to 25 September 2012 pursuant to
Rules 2.47 and 2.110 of the Insolvency Rules 1986

24 October 2012



Notice: about this report

This report has been prepared by the former Joint Administrators solely to comply with their statutory duty under rule 2.47 and 2.110 of the Insolvency Rules 1986 to report on the progress of the administration to the 25 September 2012. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in EG Plc.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under rule 2.110 of the Insolvency Rules 1986 does so at their own risk. To the fullest extent permitted by law, the former Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report.

James Robert Tucker and Edward George Boyle are each authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators act as agents of the company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the administration.



Glossary of terms

3C	3C Asset Management Limited
Administrators	James Robert Tucker Edward George Boyle KPMG LLP 8 Salisbury Square London, EC4Y 8BB
Banks	HBoS, Lloyds TSB and HSBC (secured by a debenture dated 26 July 2006)
Caley	Caley Limited
EG Plc	Erinaceous Group plc
EPL	Erinaceous Property Limited
FAL	Fairoaks Airport Limited
Group	EG Plc and its subsidiaries (as at 14 April 2008)
IA86	The Insolvency Act 1986
IR86	The Insolvency Rules 1986
RMG	Residential Management Group Limited
SoA	Statement of Affairs



Contents

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in connection with this
report are:

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Executive summary

A winding up order was made on 25 September 2012 appointing the Official Receiver as liquidator of the Company and ending the Administrators' appointment.

EG Plc and 71 of its subsidiaries were placed into administration on 14 April 2008

This progress report is prepared in accordance with Rule 2.110 and Rule 2.47 of the Insolvency Rules 1986 and relates only to EG Plc. The other 71 administrations have concluded and final progress reports in respect of these administrations have previously been issued.

This ninth and final progress report covers the period from 14 April 2012 to 25 September 2012 and follows the Administrators' eighth progress report to creditors which was dated 4 May 2012. The Administrators have previously issued eight progress reports covering the administration of EG Plc from 14 April 2008 to 13 April 2012.

The Administrators' Statement of Proposals was approved on 19 July 2008 (see page 5).

On 3 April 2009 a Court order was obtained which extended the period of administration of EG Plc until 13 October 2010. On 6 October 2010 a further extension to the period of the administrations was granted by the Court until 13 October 2011. On 23 September 2011 a further extension to the period of the administrations was granted by the Court until 12 October 2013.

Funds available from subsidiaries of EG Plc to the Banks under their fixed and floating charges have, with the Banks' permission, been distributed to EG Plc to reduce the overdraft facility provided to EG Plc by the Banks.

Receipts and payments accounts for EG Plc are attached in Appendix 2.

Tax clearance has been obtained for pre and post appointment periods for the Company.

A winding up order was made on 25 September 2012 appointing the Official Receiver as liquidator of the Company and ending the Administrators' appointment.

The Administrators' proposals were approved in July 2008

The purpose of the administration is contained in Paragraph 3(l)(c), Schedule B1 of the IA86, being to realise the assets in order to make distributions to one or more secured or preferential creditors

In accordance with Paragraph 49 of Schedule B1 to the Insolvency Act 1986 the Administrators were required to issue their proposals to creditors for achieving the purpose of the administrations within eight weeks of their appointment on 14 April 2008

Due to the complexity of the Group's affairs an extension to the deadline was granted by the Court and the Administrators' Statement of Proposals was circulated to all known creditors on 7 July 2008

As the Company had insufficient property to enable a distribution to unsecured creditors, the Administrators were not required to convene a creditors meeting unless, as set out in the Statement of Proposals, one was requested by creditors. No such meeting was requested. As a result, in accordance with Rule 2.33(5) of the Insolvency Rules 1986, the Statement of Proposals as circulated was deemed approved on 19 July 2008

The Administrators proposed the following:

To continue to do all such things as are reasonably expedient and generally exercise all powers as Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company in accordance with the statutory objectives of the administration.

To seek an extension of the administration period if deemed necessary by the Administrators

It is proposed that the Administrators' remuneration in relation to each administration will be fixed in accordance with Rule 2.106 of the Insolvency Rules 1986 by reference to the time properly given by the Administrators and their staff in attending to matters arising in the administration

That the costs of KPMG LLP in respect of tax, VAT, pension and other relevant advice provided to the Administrators be based upon time costs and paid out of the assets of EG Plc.

That EG Plc be dissolved on completion of the administration without further recourse to the creditors if no distributions are to be made

If it is identified that no better realisations will be made in the administration than would be available in a winding up, and if dissolution is not appropriate, to take the necessary steps to put EG Plc into either Creditors' Voluntary Liquidation or into Compulsory Liquidation or into a Company Voluntary Arrangement as deemed appropriate by the Joint Administrators

If creditors' voluntary liquidation is deemed appropriate at a later stage, the Joint Administrators may be permitted to seek the appointment of either James Robert Tucker or Myles Antony Hailey of KPMG LLP as liquidator, being the Joint Administrators of EG Plc, without any further recourse to creditors. Any act required or authorised under any enactment, as Joint Liquidators, may be done by one of them. In accordance with Paragraph 83(7) Schedule B1 of the IA86 and Rule 2.117(3) of the IFR86, creditors may nominate a different person as the proposed liquidator, provided the nomination is made after the receipt of the proposals and before the proposals are approved

If deemed appropriate, an application is made to court under Paragraph 65(3) Schedule B1 IA86 in order to make a distribution to creditors of the prescribed part whilst the EG Plc is in administration

That the Administrators are discharged from liability in respect of any action of theirs as Administrators pursuant to Paragraph 98(1), Schedule B1, IA86 on the agreement of the secured creditors being received and preferential creditors where relevant and upon the filing of the receipts and payments account in accordance with 2.110 IFR86



Progress and outcome of the EG Plc administration

The remaining asset in the administration has now been received.

Litigation claim

Since our last report to creditors on 4 May 2012 the Administrators reached a settlement of this claim, by which the defendant agreed to pay a further sum of £445,000. This was received on 17 July 2012, bringing total realisation with regard to the claim to £822,000.

In accordance with our agreement to share recoveries and costs with Caley, £411,000 has now been paid to RIMG. The estate's 50% share of the legal costs totalled £107,000.

Corporation Tax and VAT

Since our last report the Administrators have sought and been given corporation tax and VAT clearance by HMRC.

Asset realisations

EG Plc's largest asset, its interest in Ernaceous Insurance Services Limited, was sold to Caley for £125m in 2008.

EG Plc's other assets have now all been realised.

The major EG Plc asset realisations during the course of the administration are as follows:-

Shares and Investments

Following our appointment the Administrators sold Ernaceous Insurance Services Limited (a subsidiary of the Company) to Caley for a sum of £125 million

EG Plc also sold 100% of the shares of RMG, 3C, EPL and their subsidiaries (together the Target Companies) to Caley for a further £1 million

Litigation claim

Total realisations with regard to a £1.1 million litigation claim were £822,000. In accordance with our agreement to share recoveries and costs, £411,000 has now been paid to RMG.

Leasehold Property

At the date of the administrators' appointment across the Group there were 139 leasehold office properties located in the UK and Ireland. In addition there were two long leasehold properties (an office unit in Tewkesbury and a residential flat in Croydon) and two freehold premises (an office in London and a parcel of land at Shoreham Airport). Following the administrators' appointment, interest in 78 premises was transferred under sale of business agreements. The remaining properties were either vacated or sold where possible, realising a total sum of £1,205,000 for EG Plc.

Debtors

A sum of £27,000 was realised by EG Plc from the collection of pre-appointment debtors and a sum of £576,000 was realised from Caley with regard to intercompany debt collection.

Rent

A sum of £124,000 was received with regard to rent paid by various purchasing companies who retained occupation of the former offices of the Company.

Fairoaks

Following the sale of Fairoaks to Albemarle Syndicates in November 2008, a sum of £153,000 was received for the release of EG Plc's £1,250,000 intercompany receivable from FAL (which was converted into FAL shares as part of the transaction).

Liabilities

Over £9 million of trading costs were incurred during the migration of central services to Caley and other purchasers of the Group's businesses. The majority of these were wages and salaries.

The major EG Plc payments are as follows

Pre-appointment costs

Pre-appointment advisor fees relate to professional fees incurred prior to the administration and irrecoverable VAT on these fees £2,395,000 has been paid in total, of which £838,000 is an administration expense and with the Banks' agreement, £1,557,000 has been paid from distributions to the Banks

Trading costs

Trading costs of £9,220,708 were incurred, which included wages and salary of £7,658,387. However £6,777,273 of the trading costs were recharged to Caley

Legal & Profession fees

During the administration the Administrators' incurred legal fees of £1,551,157 on a range of matters arising, including the business sales

Storage costs

During the administration the Administrators paid storage costs of £699,676. This includes the costs of destruction of over 22,000 boxes of company records which the Official Receiver has recently authorised to be destroyed

Bank charges and interest

A total of £281,751 was paid with regard to bank charges and interest on the overdraft provided by the Banks to the Administrators

Insurance of assets

A sum of £32,700 was paid for insurance of the assets of EG Plc



Cost of administration

The total Administrators' remuneration drawn from EG

Plc is £3.9 million

Cost of administration

The Administrators' time costs to 14 April 2012 in respect of EG Plc have been analysed and disclosed in previous reports to creditors. An analysis of the time costs incurred in the period from 14 April 2012 to 25 September 2012 is included in Appendix 3

With the approval of the secured and preferential creditors (where applicable), a total of £3.9 million has been drawn from EG Plc in respect of Administrators' fees

Distributions

Secured creditors

During the administration a sum of £130,486,320 has been distributed to the Banks under their fixed charges

Preferential and Unsecured Creditors

There were insufficient floating charge realisations to enable a dividend to be paid to either preferential or unsecured creditors of EG Plc

Comments on Appendices

Appendix 1: Statutory Information

In accordance with IF86, the prescribed statutory information for EG Plc, is provided

Appendix 2: Administrators' receipts and payments account

The Administrators' receipts and payments accounts from 14 April 2012 to 25 September 2012 and the Administrators' receipts and payments accounts from 14 April 2008 to 25 September 2012 are included. The figures on the account are shown net of VAT

Appendix 3. Administrators' time costs

The Administrators' time costs for the period from 14 April 2012 to 25 September 2012 are included

Appendix 1 Statutory information

Statutory information	
Company name	Erineaceous Group plc
Company number	3732607
Date of incorporation	15 March 1999
Registered office	8 Salisbury Square, London, EC4Y 8BB
Trading names	
Court	High Court of Justice
Court reference	3014/08
EU regulation	Main proceedings
Administrators	Jim Tucker and Ed Boyle
Date of appointment	14 April 2008
Appointer	Directors

Statutory information	
Company name	Erineaceous Group plc
Para 100(2) statement	All functions or acts to be carried out by the Joint Administrators are to be exercised by all or any one or more of the persons for the time being holding that office
Directors (number of shares in the companies held by the directors)	Nigel Peter Davis (30,927 – personal shareholding) Nicholas Rodney Lowther Fry (20,000 – personal shareholding) The Lord David Charles Poole Lord Edward Timothy Razzall CBE (9,400 – controlled company) Dominic Lavelle Timothy John Redburn
Secretary (no shares in the companies are held by the secretary)	Robin Simon Johnson



Appendix 2
Receipts and payments account – Erinaceous Group plc
for the period 14 April 2012 to 25 September 2012

Transactions in the period 14 April 2012 to 25 September 2012	
	£
Receipts	
Debtors	445,410
Total receipts	445,410
Payments	
Legal fees	42,779
Administrators' fees	52,251
Litigation Settlement - RMG	410,803
Bank Charges	14,185
Storage costs	84,203
Irrecoverable VAT	689
Total payments	604,910
Movement	159,500

Source Administrators' records



Appendix 2 Receipts and payments account of the entire administration – Erinaceous Group plc

Receipts as at 25 September 2012

	£
Receipts	
Shares and Investments	126,422,233
Litigation settlement	410,803
Goodwill	202
Leasehold property	1,205,002
Furniture and equipment	3,185
Faroaks	152,913
Trade debtors	44,733
Intercompany debtors	576,491
Cash at bank	1,361
Rent income	232,528
Bank interest – gross	129
VAT payable	857,060
Group funding receipt	7,279,764
Other receipts	320,896
Recharge of trading / payroll costs	6,777,273
Total receipts	144,284,573

Source Administrators' records

Payments as at 25 September 2012

	£
Payments	
Trading costs	9,220,708
Distribution to secured creditors	130,486,320
Legal fees	1,551,157
Administrators fees	3,871,899
Administrators expenses	55,391
Debt Collection costs	496
Irrecoverable VAT	41,039
VAT receivable	864,536
Bank Charges	281,751
Professional fees	12,754
Payroll and expenses	6,000
Storage costs	699,676
Payroll on behalf of 3rd party	3,996
Sundry expenses	66,431
Insurance of assets	32,700
Total Payments	147,194,854
Bank funding utilised	(2,910,281)

Source Administrators' records



Appendix 3 Administrators' time costs – Erinaceous Group plc Analysis for the period from 14 April 2012 to 25 September 2012

Erinaceous Group plc (in administration)							
£	Hours					Time cost	
	Partner/director	Manager	Administrator	Support	Total	Average	hourly rate
Cashiering	-	3.4	3.5	0.1	7.0	2,478	354.00
Storage	-	6.5	28.9	-	35.4	9,587	270.82
Shareholders	-	1.0	0.2	-	1.2	466	388.33
Strategy, Statutory, Planning and closure	5.1	66.5	18.2	0.3	91.1	37,568	412.38
Tax	-	10.2	9.5	-	19.7	6,469	328.38
Internal reviews	-	1.0	11.9	-	12.9	3,157	244.73
Creditors and claims	1.1	18.5	6.3	-	25.9	10,023	386.97
Employees	-	0.2	-	-	0.2	84	420.00
Asset realisation	16.4	1.0	-	-	17.4	10,834	622.64
Total in period	22.6	108.30	79.5	0.4	210.8	80,666	382.65

Source Administrators' records



Appendix 3 Notes to the Administrators' time and cost analysis

Erinaceous Group plc (in administration)					
£	14 Apr 08 – 30 Sep 08	1 Oct 08 – 30 Jun 09	1 Jul 09 – 30 Sept 10	1 Oct 10 – 25 Sept 12	
Hourly rates					
Partner	600	640	695	725	
Director	525	560	610	635	
Senior Manager	430	460	500	525	
Manager	340	360	390	420	
Senior Administrator	240	260	285	305	
Administrator	190	200	220	230	
Support staff	100	105	115	120	

Source: Administrators' records



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