

The Insolvency Act 1986

Administrators' Progress Report

Name of Company Absolute Leisure Limited	Company number 3770523
In the Newcastle upon Tyne District Registry of the High Court	Court case number 1487 of 2009

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

We (a) Andrew David Haslam and Gerald Maurice Krasner of Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle Upon Tyne, NE1 1JF

Joint Administrators of the above Company attach a progress report for the period


From / to

(b) Insert dates

(b) 8 May 2011

(b) 4 November 2011

Signed


Joint Administrators

Dated

4 November 2011

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible on the public record.

Begbies Traynor (Central) LLP	
2 Collingwood Street, Newcastle upon Tyne, NE1 1JF,	
	Tel Number 0191 2699820
Fax Number 0191 2699821	DX Number

When you have completed and signed this form please send it to the Registrar of Companies at
Companies House, Crown Way, Cardiff, CF14 3UZ
DX 33050 Cardiff



A34

11/11/2011

331

COMPANIES HOUSE

FRIDAY

Andrew David Haslam and Gerald Maurice Krasner appointed Joint Administrators on 8 May 2009

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as the Company's agents and without personal liability

Absolute Leisure Limited (In Administration)

Final Progress Report of the Joint Administrators
pursuant to Rules 2.47 and 2.110 of The Insolvency
Rules 1986

Period: 8 May 2009 to 4 November 2011

Important Notice

This final progress report has been produced by the Administrators solely to comply with their statutory duty to report to creditors on the progress of the Administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever

Contents

- ❑ Interpretation
- ❑ Statutory information
- ❑ Details of appointment of Joint Administrators
- ❑ Progress during the period
- ❑ Outcome for creditors
- ❑ Joint Administrators' Proposals
- ❑ Summary of steps taken during the Administration
- ❑ Joint Administrators' remuneration and disbursements
- ❑ Joint Administrators' expenses
- ❑ Creditors' rights
- ❑ Assets that remain to be realised
- ❑ Other relevant information
- ❑ Conclusion
- ❑ Appendices
 - 1 Joint Administrators' account of receipts and payments
 - 2 Summary of Joint Administrators' Proposals, including major amendments to, and deviations from them
 - 3 Joint Administrators' time costs and disbursements
 - 4 Statement of Joint Administrators' expenses

1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Absolute Leisure Limited (In Administration)
"the Administration"	The appointment of Administrators under Schedule B1 of the Insolvency Act 1986 on 8 May 2009
"the Joint Administrators"	Andrew David Haslam and Gerald Maurice Krasner of Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF
"the Act"	The Insolvency Act 1986
"the Rules"	The Insolvency Rules 1986
"secured creditor" and "unsecured creditor"	"Secured creditor", in relation to a company, means a creditor of the Company who holds in respect of his debt a security over property of the Company, and "unsecured creditor" is to be read accordingly (Section 248(a), Insolvency Act 1986)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security and (ii) in relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(b), Insolvency Act 1986)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 of the Insolvency Act 1986
"the Angel"	The Angel Hotel (Whitby), Lengyard, Baxtergate, Whitby, YO21 1DE
"LN"	The Lounge, Newcastle upon Tyne
"LD"	The Lounge, Darlington
"the Bank"	AIB Group (UK) plc
"the Brewery"	Carlsberg Tetley Brewing Limited

2. STATUTORY INFORMATION

Name of Company	Absolute Leisure Limited
Trading names	Cocomos (Newcastle upon Tyne) The Angel Hotel (Whitby)
Date of Incorporation	13 May 1999
Company registered number	03770523
Company registered office	Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of Joint Administrators	Andrew David Haslam and Gerald Maunce Krasner, Licensed Insolvency Practitioners of Begbies Traynor (Central) LLP, 2 Collingwood Street, Newcastle upon Tyne, NE1 1JF
Date of Administrators' appointment	8 May 2009
Court	Newcastle upon Tyne District Registry of the High Court
Court Case Number	1487 of 2009
Person making appointment / application	Director – Anthony Knox
Acts of the Joint Administrators	The Joint Administrators act as officers of the Court and as agents of the Company without personal liability Any act required or authorised under any enactment to be done by an Administrator may be done by any one or more persons holding the office of Administrator from time to time
EC Regulation on Insolvency	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are main proceedings within the meaning of Article 3 of the Regulation
Extensions of the Administration period	The Administration period was extended with the consent of creditors for a period of six months The Administration period was then extended with the consent of the Court for a further 12 months The Administration is due to end on 7 November 2011

4. PROGRESS DURING THE PERIOD

This section of the report should be read in conjunction with the Proposals circulated to creditors on 30 June 2009, and progress reports circulated to creditors on 4 December 2009, 21 May 2010, 22 November 2010 and 6 June 2011

Attached at Appendix 1 is our abstract of receipts and payments for the whole period of the Administration from 8 May 2009 to 4 November 2011 and for the six month period from 8 May 2011 to 4 November 2011

RECEIPTS

Assets Specifically Pledged – the Bank

Freehold Property – Angel

On 12 April 2010 the Bank who hold a legal mortgage over the freehold property appointed Andrew Haslam as sole LPA Receiver to realise the property and fixtures and fittings

The sale of the Angel completed on 3 October 2011 The sale price was £1,600,000 00

The costs associated with achieving the sale have been deducted from the sale proceeds and the balance is now with the Bank who have suffered a shortfall

There is no surplus available to the Company in Administration

PAYMENTS

Payments in respect of the Angel

Legal Fees and Disbursements

Dickinson Dees LLP has been paid £37,500 00 plus disbursements of £2,780 50 for assisting in the sale of the Angel The fee was based on time costs incurred but was agreed and limited by the secured creditor

Agent's Fees

Christie & Co has been paid £10,000 00 in fees for assisting in the marketing and sale of the freehold property The fee was agreed and limited by the secured creditor

Non Domestic Rates

Scarborough Council was paid £16,173 69 for empty property rates at the Angel

Property Insurance

The Angel Hotel was insured for the duration of the Administration Willis Limited was paid £27,221 40 in this respect

Electricity

Costs for electricity were incurred during the course of the Administration £5,534 46 has been paid in this respect

Property Maintenance

Charges for securing the Angel, changing the locks and draining down the water and heating systems were incurred totaling £723 70

Energy Performance Certificate

An energy performance certificate was required to allow the Angel to be marketed for sale

Companies House Search Fees

Companies House Search fees of £1 00 have been paid

BT Mileage

Mileage costs of £36 00 have been incurred by Begbies Traynor (Central) LLP staff travelling to the Company's premises. These are classed as category 2 expenses.

RECEIPTS**Assets Specifically Pledged – the Brewery****Leasehold Property – LN and LD**

Creditors may recall that at the outset of the Administration it appeared that the lease of LN was in the name of Schemebrave Limited – In Administration an associated company. On further investigation it was found that all of the trading activity had been through Absolute Leisure Limited and all income and expenses in connection to LN had been through Absolute Leisure Limited.

The advice received was that the income from the sale of LN should be shown in Absolute Leisure Limited.

The lease to LD appeared to be in the name of Cinderella's Rockerfella's Limited an associated company. On further investigation it was found that all of the trading had been through Absolute Leisure Limited and all income and expenses in connection to LD had been through Absolute Leisure Limited.

The advice received was that the income from the sale of LD should be shown in Absolute Leisure Limited. To gain control over LD in Cinderella's Rockerfella's Limited the Brewery appointed Andrew Haslam as LPA Receiver over LD.

Creditors should note that the Brewery hold a legal charge over LN and LD created on 3 September 1997 and registered on 12 September 1997. There is a cross guarantee in place with Schemebrave Limited, Absolute Leisure Limited and Cinderella's Rockerfella's Limited.

The total amount due to the Brewery at the date of appointment, under the cross guarantee was in the region of £4,817,000 00.

LN and LD were sold to Northplan Limited for a total consideration of £1 4 million on 28 April 2011.

Included within the sale price was £31,971 43 of rental income which was due to the Administrators from the Management Agreements which had been in place with Northplan Limited to manage LN and LD prior to the purchase.

There is no surplus available to the Company in Administration in respect of LN and LD sale, the proceeds of the sale net of costs having been received by the Brewery. The Brewery has suffered a shortfall.

PAYMENTS**Payments in respect of the sale of LN and LD****Legal Fees and Disbursements**

Dickinson Dees LLP has been paid £51,195 72 for assisting in the sale of LN and LD. The fee was based on time costs incurred but was agreed and limited by the secured creditor.

Karslake Solicitors have been paid £400 00 plus £2 00 disbursements to assist with the request of the Administrators for the Bank to execute a Deed of Release of security, over LN.

Landlords

In order to agree to the assignment of the leases the landlords required arrears of rent relating to the period prior to Administration to be paid along with rent remaining outstanding for the period of the Administration which had not been paid under the management agreement. £75,650 88 was paid.

Agent's Fees

Christie & Co have been paid £10,000 00 in fees for assisting in the marketing and sale of LN and LD. The fee was agreed and limited by the secured charge holder.

RECEIPTS

Assets not specifically pledged

Management Fees – The Angel

As detailed within the Proposals, a management agreement was entered into with the previous management team, HLW380 Limited, to operate the Angel whilst a marketing exercise to sell the property was undertaken

Management Fees of £9,150 have been received

Management Fees – LN

A management agreement was entered into with the previous management team, HLW380 Limited, to operate this outlet whilst a marketing exercise to sell the lease was undertaken

Management fees of £7,200 00, in accordance with the management agreement between the Company and HLW380 Limited, have been received in full. The license with HLW380 Limited was terminated on 9 April 2010. Of this £7,200 00 received £1,478 24 was used to discharge expenses incurred in the Administration of Schemebrave Limited

A new license to occupy was entered into with Northplan Limited on the same day. Management fees of £16,414 28 have been received for a period from 9 April 2010 to 28 April 2011 as part of the sale consideration

Management Fees – LD

Management fees of £15,557 15 have been received for the period that Northplan Limited occupied LD prior to the purchase as part of the sale consideration

Leasehold Property – Cocomos, 26 The Side, Tyne House, Newcastle upon Tyne, NE1 3JE

As previously reported a sale of the lease was agreed on 24 August 2009 and completed for a consideration of £60,000 00

Cash in Hand

There was a small amount of cash collected from Cocomos restaurant

Directors' Loan Accounts and Intercompany Debtors

As previously disclosed the Administrators agreed a full and final settlement figure with the Directors in respect of all potential liabilities at £40,000 00 which has now been paid in full

Bank Interest Gross

Bank interest of £22 98 has accrued over the period of the Administration

Sundry Refunds

Refunds have been received for various prepaid accounts of £13 826 32

Sundry Income

Income of £238 96 has been received from vending machines

Insurance Claim

A settlement of £16,680 24 was received in respect of an insurance claim which was made prior to our appointment

Rates Refund

A rates refund of £6,877 51 has been received from Newcastle City Council

PAYMENTS

Payments in respect of assets not specifically pledged

Administrators' Expenses

Expenses of £65 44 have been incurred by Begbies Traynor (Central) LLP staff, being sustenance and a memory stick to download information from the Company's computer system

BT Mileage

Mileage costs of £111 47 have been incurred by Begbies Traynor (Central) LLP staff travelling to the Company's premises. These are classed as category 2 expenses.

BT Travel Costs

Travel costs of £40 58 have been incurred by Begbies Traynor (Central) LLP staff.

Agent's Fees and Disbursements – Sale of Leasehold, Cocomos

Christie & Co have been paid £10,000 00 in fees for assisting in the marketing and sale of the leasehold, Cocomos.

Legal Fees and Disbursements – Sale of Leasehold, Cocomos

Dickinson Dees LLP has been paid £10,000 00 for assisting in the sale of the leasehold, Cocomos. The fee was based on time costs.

Legal Fees and Disbursements

Dickinson Dees LLP has been paid £10,373 75 plus disbursements of £1,570 50 for assisting in the appointment of Administrators, negotiations with the Directors to secure a settlement in respect to the loan account and inter company balances and providing general legal advice. The fee has been based on time costs incurred.

Glyn Jones & Co has been paid £750 00 which relates to legal costs incurred by the landlord in assigning the lease on Cocomos.

Professional Advice Fees

Alexander Forbes Trustee Services have been paid £940 00 to assist with pension issues.

Rents Paid - Cocomos, 26 The Side, Tyne House, Newcastle upon Tyne, NE1 3JE

The landlord agreed to assign the lease of Cocomos on the basis that the outstanding rent arrears of £8,000 00 were paid to the landlord.

Corporation Tax

Corporation Tax of £2 31 has been paid on the Bank Interest accrued in the first year of this Administration. Due to an agreement with HM Revenue & Customs no further Corporation Tax will be payable.

Insolvency Practitioners' Bond Premium

As a requirement of the Administration, insurance brokers Willis Limited, were engaged to provide the Insolvency Practitioners' bond. Costs of £528 00 were incurred and have been discharged in this respect.

Postage Costs

Postage costs of £1,188 52 have been recharged to the case. This relates to the costs of circulating reports to creditors and the cost of redirecting the Company's mail.

Photocopying Costs

Photocopying costs of £416 12 for copying reports to send to creditors have been incurred and discharged.

Statutory Advertising

Costs of £693 87 were incurred and discharged for statutory advertising.

Other Property Expenses – Cocomos

A fee of £75 00 was incurred and discharged for changing the locks at Cocomos restaurant following appointment.

Bank Charges

Bank charges of £25 00 have been incurred and discharged.

Companies House Search Fees

Companies House Search fees of £6 00 have been paid.

Oath Fees

Oath Fees of £10 00 have been incurred and discharged in respect of the swearing of the affidavits of the Director on the appointment document.

Storage Costs for Company's Books and Records

The Administrators have engaged DataSafe Storage Limited to collect, store and after 15 months destroy the Company's books and records. A charge of £263 23 has been incurred and discharged for this service.

5. OUTCOME FOR CREDITORS

Secured Creditor

The Bank hold a legal mortgage over the freehold property the Angel. The Bank has suffered a shortfall.

The Brewery hold a legal charge over LN and LD created on 3 September 1997 and registered on 12 September 1997. The Brewery has suffered a shortfall.

Preferential Creditors

There are no funds available for the preferential creditors.

Prescribed Part Fund for the Non Preferential Creditors

There is no application of the Prescribed Part (S 176A of the Insolvency Act 1986) in this case as there is no floating charge debenture.

Unsecured Non Preferential Creditors

There have been insufficient realisations to pay a dividend to unsecured creditors.

6. JOINT ADMINISTRATORS' PROPOSALS

Attached at Appendix 2 is a summary of the Administrators' Proposals as approved by the initial meeting of creditors held on 16 July 2009. Creditors will note that with our six monthly report we presented the revised Proposal that the exit from Administration should be dissolution.

Creditors voted in favour of the acceptance of this revised Proposal.

7. SUMMARY OF STEPS TAKEN DURING THE ADMINISTRATION

The purpose of the Administration was "to realise property in order to make a distribution to one or more secured or preferential creditors".

Following appointment a review of each property was undertaken to establish the viability of trading each outlet. Cocomos was not a profitable outlet and was closed. The Joint Administrators engaged a management company to trade the Angel and LN with the intention of preserving the goodwill of the outlets which should have led to better realisations for the secured creditors.

A marketing exercise was undertaken by Christie & Co to sell all of the premises. Cocomos was sold relatively quickly. Negotiations for the Angel, LN and LD were entered into with various parties which ultimately broke down. It has taken considerably longer than anticipated to find purchasers who were willing to pay amounts which were agreeable to the secured charge holders.

A considerable amount of time has been spent by the Joint Administrators in negotiating sales contracts and by the Joint Administrators' staff in initially dealing with queries from various stakeholders who did not know which company within the Absolute Group they had been dealing with or were a creditor of.

Time has also been spent dealing with property issues, ranging from dealing with utility companies to securing the properties and making sure the insurance requirements were complied with

The sale of LN and LD completed on 28 April 2011 The sale of the Angel completed on 3 October 2011

8. JOINT ADMINISTRATORS' REMUNERATION & DISBURSEMENTS

The Administrators' remuneration has been fixed by reference to the time properly given by them (as Administrators) and the various grades of their staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the Administration

They are also authorised to draw disbursements, including disbursements for services provided by their firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with their firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of Administration and which are attached at Appendix 3 of this report

The fees basis and disbursements were agreed at the initial meeting of creditors held on 16 July 2009

The Administrators' time costs for the period from 8 May 2009 to 4 November 2011 amount to £200,517 00 which represents 843 64 hours which results in an average rate of £237 68 per hour

Since their appointment, the Administrators have drawn the total sum of £196,024 00 plus Category 2 disbursements which are mileage costs incurred by Begbies Traynor (Central) LLP staff travelling to the Company's premises £147 47

The following further information in relation to the Administrators' time costs and disbursements is set out at Appendix 3

- ☐ SIP 9 Table of time spent and charge-out value for the period 8 May 2009 to 4 November 2010
- ☐ Narrative summary of time costs incurred
- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates

9. JOINT ADMINISTRATORS' EXPENSES

Section 4 details all of the expenses incurred and discharged during the period of the Administration A summary is provided at Appendix 4

10. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2 48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the Court) may request in writing that the Administrators provide further information about their remuneration or expenses (other than pre-Administration costs) which have been detailed in this progress report

Right to make an application to Court

Pursuant to Rule 2 109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor, (or any

unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the Court) may within 8 weeks of receipt of this progress report make an application to Court on the grounds that the remuneration charged or the expenses incurred by the Administrators as set out in this progress report are excessive or, in relation to the basis fixed for the Administrators' remuneration, inappropriate

11. ASSETS THAT REMAIN TO BE REALISED

There are no assets of the Company that remain to be realised

12. OTHER RELEVANT INFORMATION

Report on Directors' conduct

As detailed in the Administrators' Statement of Proposals, the Administrators have a duty to submit a report to the Department for Business, Innovation and Skills on the conduct of the Directors. The Administrators have complied with their duties in this respect

Investigations completed

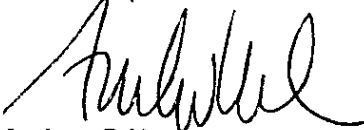
As explained in our Statement of Proposals and interim progress reports we investigated the manner in which the business was conducted prior to the Administration and recoveries were made in respect of inter-company balances and overdrawn Directors' Loan accounts

Connected Party Transactions

No connected party transactions have been brought to our attention other than the intercompany balances and the Directors' Loan account balances which have previously been fully reported and a settlement received

13. CONCLUSION

Once the Notice of move from Administration to dissolution (Form 2 35B) has been registered (which we anticipate shortly), our appointment as Administrators will cease to have effect and, unless the Court makes an order otherwise, the Company will be deemed to be dissolved at the end of the period of three months from the date of registration of the notice



Andrew D Haslam
Joint Administrator

Date 4 November 2011

APPENDIX 1

AND PAYMENTS FOR THE PERIOD 8 MAY 2011 TO 4 NOVEMBER 2011 AND FOR THE WHOLE PERIOD OF THE ADMINISTRATION

Period 8 May 2009 to 7 May 2011

Estimated to realise per Statement of Affairs £		Receipts & Payments from 8 May 2011 to 4 November 2011 £	Final Outcome £
	ASSETS SPECIFICALLY PLEDGED		
2 400 000	Freehold Property - The Angel	1 600 000 00	1 600 000 00
	Payments		
	Administrators Fees - The Angel	(37 500 00)	(37 500 00)
	Legal Fees - The Angel	(37 500 00)	(37 500 00)
	Legal Disbursements - The Angel	(2 780 50)	(2 780 50)
	Agent's Fees	(10 000 00)	(10 000 00)
	Non Domestic Rates (Empty Exemption applied) - The Angel	(4 989 92)	(4 989 92)
	Non Domestic Rates (Empty Exemption applied) - The Angel	(11 183 77)	(11 183 77)
	Property Insurance The Angel	(27 221 40)	(27 221 40)
	Electricity - The Angel	(5 534 46)	(5 534 46)
	Property Maintenance	(723 70)	(723 70)
	Energy Performance Certificates	(1 025 00)	(1 025 00)
	BT Mileage	(38 00)	(38 00)
	Companies House Search Fees	(1 00)	(1 00)
		<u>(138 495 75)</u>	<u>(138 495 75)</u>
(2 400 000)	Fixed Chargeholder - AIB Group (UK) plc	<u>(1 461 504 25)</u>	<u>(1 461 504 25)</u>
	ASSETS SPECIFICALLY PLEDGED		
	Leasehold Properties - The Lounge (Newcastle) & (Darlington)	1 368 028 68	1 368 028 68
	Payments		
	Administrators Fees - The Lounge (Newcastle) & (Darlington)	(18 822 28)	(18 822 28)
	Legal Fees The Lounge (Newcastle) & (Darlington)	(51 595 72)	(51 595 72)
	Legal Disbursements The Lounge (Newcastle) & (Darlington)	(2 00)	(2 00)
	Landlords - The Lounge (Newcastle) & (Darlington)	(75 650 88)	(75 650 88)
	Agent's Fees - The Lounge (Newcastle) & (Darlington)	(10 000 00)	(10 000 00)
	Available to Fixed Chargeholder	<u>(156 070 88)</u>	<u>(156 070 88)</u>
4 816 854 00	Fixed Chargeholder - Carlsberg Tetley Brewing Limited	<u>(1 211 957 80)</u>	<u>(1 211 957 80)</u>
	ASSETS NOT SPECIFICALLY PLEDGED		
	Management Fee - Angel Hotel	0 00	9 150 00
	Management Fee - Lounge	31 971 43	37 693 19
524 000	Leasehold Property - Coco mos	0 00	60 000 00
	Cash in Hand	0 00	272 37
	Directors Loan Account	0 00	10 000 00
	Inter Company Balances	0 00	30 000 00
	Bank Interest Gross	3 00	22 98
	Sundry Refunds	0 00	13 826 32
	Sundry Income	0 00	238 96
	Insurance Claim	0 00	16 680 24
	Rates Refund	0 00	6 877 51
524 000		<u>31 971 43</u>	<u>184 761 57</u>
	Payments		
	Administrators Remuneration	(39 701 78)	(114 701 78)
	Administrators Remuneration Coco mos	0	(25 000 00)
	Administrators Disbursements	0	(65 44)
	BT Mileage	0	(111 47)
	BT Staff Travel Costs	0	(40 58)
	Agent's Fees & Expenses Coco mos	0	(10 000 00)
	Legal Fees - Coco mos	0	(10 000 00)
	Legal Fees	(11 123 75)	(11 123 75)
	Legal Disbursements	(1 570 50)	(1 570 50)
	Professional Advice Fees	0	(940 00)
	Rents Paid	0	(8 000 00)
	Corporation Tax	0	(2 31)
	Specific Bond	0	(528 00)
	Stationery & Postage	0	(1 188 52)
	Photo copying	0	(416 12)
	Statutory Advertising	0	(893 87)
	Other Property Expenses - Coco Mo s	0	(75 00)
	Bank Charges	0	(25 00)
	Company Search Fees	0	(6 00)
	Oath Fees	0	(10 00)
	Storage of Company's Books and Records	<u>(263 23)</u>	<u>(263 23)</u>
		<u>(52 659 26)</u>	<u>(184 761 57)</u>
	Preferential Creditors		0 00

SUMMARY OF ADMINISTRATORS' PROPOSALS, INCLUDING MAJOR AMENDMENTS TO AND DEVIATIONS FROM THEM

Proposals approved at the initial creditors' meeting held on 16 July 2011

- The Administrators intend to perform their functions in relation to the Company with the objectives set out in paragraph 3(1)(c) namely "to realise property in order to make a distribution to one or more secured or preferential creditors"
- The Joint Administrators propose to realise the assets and undertaking of the Company in such a manner as they consider appropriate with a view to achieving the purpose as set out in Paragraph 3 (2) of Schedule B1 of the Insolvency Act 1986
- The Joint Administrators propose in the interim to take all necessary actions to preserve the value of the Company's assets
- In the event that the sale of the Company's assets, either in whole or in part, involves the disposal of assets that are subject to security and in the event that the Joint Administrators cannot come to terms with the creditor concerned, the Joint Administrators propose to make an application to Court in the prescribed manner under the provisions of Paragraphs 70, 71 and 72 of Schedule B1 of the Insolvency Act 1986
- It is proposed that upon completion of the Administration, if appropriate the Joint Administrators intend to move from Administration to Creditors Voluntary Liquidation pursuant to Schedule B1, paragraph 83 of the Act. It is proposed that Gerald M Krasner and Andrew D Haslam of Begbies Traynor Central LLP, 2 Collingwood Street, Newcastle Upon Tyne, NE1 1JF be appointed Joint Liquidators of the Company. Mr Krasner is a Licensed Insolvency Practitioner regulated by the Institute of Chartered Accountants of England and Wales and Mr Haslam is a Licensed Insolvency Practitioner regulated by the Insolvency Practitioners Association

In accordance with paragraph 83(7) of the Act and Rule 2.117(3) of the Rules, creditors may nominate a different person as the proposed liquidator provided that the nomination is made after receipt of these proposals and before the proposals are approved. A list of unsecured creditors notified by the Administrators was attached at Appendix 4 of the Proposals

- It is proposed that pursuant to Paragraph 98(2)(b) of Schedule B1 of the Act, the Joint Administrators be given their full discharge from liability in respect of any action as Joint Administrators with effect from the date that the Company is placed into Creditors Voluntary Liquidation
- The Joint Administrators propose to be remunerated on the basis of their hourly costs calculated on the time properly spent in the course of the administration and that they may draw their remuneration on account as and when funds permit. The Joint Administrators also seek approval to re-charge expenses in line with their firm's policy
- Remuneration drawn will be notified to any creditors' committee appointed under paragraph 57 of Schedule B1 to the Act. In the absence of a creditors' committee, details of time incurred and disbursements drawn will be reported to creditors in accordance with *Statement of Insolvency Practice* 9 issued by the Joint Insolvency Committee on behalf of the administrators' licensing bodies

- A creditors committee be formed in order that they may assist the Joint Administrators with the conduct of the ongoing investigations in this and the associated insolvencies, subject to the nomination of the requisite number of members

Revision to Proposals

The following revised Proposal was considered and agreed at a meeting of the Company's creditors conducted by means of a postal resolution in accordance with the Notice of conduct of business by correspondence (Form 2 25B)

"THAT on present information we consider that the Company will have insufficient property to enable a distribution to be made to unsecured creditors. Consequently, as soon as we are satisfied that we have fully discharged our duties as Administrators and that the purpose of the Administration has been fully achieved, we propose to implement the provisions of Paragraph 84 of Schedule B1 to the Act. Under these provisions, on the registration of a notice sent by us to the Registrar of Companies, our appointment as Administrators ceases to have effect, and at the end of three months the Company will automatically be dissolved.

Where an Administrator sends such a notice of dissolution to the Registrar of Companies, he must also file a copy of the notice with the Court and send a copy to each creditor of the Company, and on application by any interested party the Court may suspend or disapply the automatic dissolution of the Company"

ADMINISTRATORS' TIME COSTS AND DISBURSEMENTS

- a SIP 9 table of time spent and charge-out value for the period from 8 May 2009 to 4 November 2011,
- b Narrative summary of time costs incurred,
- c Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements, and
- d Begbies Traynor (Central) LLP's charge-out rates

BEGBIES TRAYNOR (CENTRAL) LLP - NARRATIVE SUMMARY OF TIME COSTS

NEWCASTLE UPON TYNE/TEESSIDE OFFICES

CORPORATE APPOINTMENTS

The narrative below refers to the time cost grid provided to creditors in compliance with Statement of Insolvency Practice SIP 9 and summarises the detailed time records maintained by Begbies Traynor (Central) LLP, more detail of time spent with time recorded over 28 separate headings is available on request

Some of the detail may not be appropriate to this particular insolvency appointment

ADMINISTRATION AND BANKING

Appointment and Case Planning - initial notifications of appointment to creditors, statutory notices, statutory adverts etc after appointment

All correspondence with Companies House and the Court

Any necessary consideration of validity of appointment

All work relating to obtaining and maintaining the IP bond

Administration and Banking - general administration not covered within a specific time code

Bank reconciliations, general case banking, fee calculation, SIP 9 grids and WIP

All closing matters and any post closure work

Statutory Reporting and Statement of Affairs - all reports and returns not under another specific time coding

Case reviews, consideration of strategy

File notes, planning meetings, internal meetings for case discussion and file reviews

Preparation and review of receipts and payments accounts

Contact with Directors re preparation/submission of Statement of Affairs

INVESTIGATIONS

CDDA and Investigations - drafting and submission of CDDA reports/returns to DBIS and any necessary follow up work in relation to Directors (includes any travel specifically for CDDA proceedings)

All general investigation work other than that specifically required for CDDA reporting and proceedings – e.g. investigations to identify antecedent transactions, preferences, transactions at undervalues, misfeasance's, director overdrawn loan accounts etc

REALISATION OF ASSETS

Debt Collection - preparation of, and review of, the schedule of book debts, all work and correspondence to collect book debts (but not 'Trading' debts) and other debts such as claims, refunds etc, investigating likelihood of recovery and write offs, all contact with debtors, instruction of solicitors, negotiation of any commercial settlements

Property, Business and Asset Sales - all steps to be taken to preserve and realise fixed charge assets and floating charge assets (other than book debts) including stock, WIP, plant and equipment, computers, office furniture and equipment and motor vehicles

Negotiations and steps pre and post completion relating directly to sale of business/assets

Sale of any intangible assets eg IPR, copyrights, patents

Retention of Title/Third Party Assets - general enquires, stock-taking, agreeing claims and correspondence with ROT creditors

Dealing with hire purchase, lease purchase, lease, rental and hire creditors etc

Dealing with landlords, surrenders and disclaimers of leases

TRADING (if appropriate)

Trading - Trading strategy meetings, site attendance, dealing with customers/suppliers and dealing with accounts, collection of trading debts and including employee issues arising during trading but not redundancy

Preparation of trading facts and figures, all necessary accounting, dealing with VAT, PAYE etc for the trading period

Management and control of the trading, reporting to funders, banks and other third parties

CREDITORS

Secured - establishing validity and scope of security, all correspondence and work associated with distribution to secured creditors

Communications with and reporting to secured creditors

Others - correspondence, e-mails, phone calls with preferential and non preferential unsecured creditors (including dealing with enquiries from parties who claim to be creditors)

Correspondence, e-mails, phone calls with members

Acknowledgement and recording of creditor claims

Adjudication of the claims as appropriate

Redundancy, employee claims and correspondence (other than employee issues arising as part of trading), DBIS RPO correspondence

Creditors Committee - meetings, reports to and dealings with creditors committee / liquidation committee, if appointed

OTHER MATTERS

Meetings - all meetings, including statutory meetings, following appointment other than creditors committee / liquidation committee meetings, other meetings (excluding those specifically part of investigations or CDDA reporting/proceedings) and internal case strategy meetings

Tax - all statutory returns, VAT returns, CT returns, P35 PAYE returns, all calculations, disputes, enquiries and inspections

Litigation - all work relating to legal proceedings (following issue of proceedings)

Other - all work involving pension issues

Travel to businesses, meetings, Courts, Directors, shareholders and in respect of trading insolvencies (excludes any travel specifically for CDDA proceedings)

Begbies Traynor (Central) LLP, Newcastle upon Tyne and Teesside

BEGBIES TRAYNOR (CENTRAL) LLP

DISBURSEMENTS AND EXPENSES POLICY AND CHARGE OUT RATES

NEWCASTLE UPON TYNE AND TEESSIDE OFFICES

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis.

Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

Where the office holder's remuneration is proposed to be fixed on an additional or alternative basis, sufficient information will be provided to creditors in order to allow them to consider whether to approve the proposed basis or bases of the office holder's remuneration.

Following approval, further information will be provided to creditors regarding the office holder's fees as required by the legislation and best practice guidance.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm and also where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest.

Best practice guidance² requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate.

He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level.

There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded, in 6 minute units, at the individual's hourly rate in force at that time; the hourly rates applicable to this case are detailed below.

This is of course only applicable to those cases where the office holder is remunerated on a time cost basis, rather than the additional or alternative bases explained in SIP9.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales (Effective 6 April 2010)

² Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales (Effective 6 April 2010)

- *Category 1 disbursements (where creditor approval is not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. Such expenditure may include Court fees, filing fees, company search fees, ML Regulation ID fees, oath fees, redirection of mail, external storage of books and records, external printing copying and stationery, postages, etc as well as legal fees, property agent fees, security, valuer fees, auctioneer and agent fees, utility costs etc. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (where creditor approval is required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

The following items of expenditure may be charged to the case (subject to creditor approval)

- Internal meeting room usage for the purpose of statutory meetings is charged at the rate of £100 per meeting. The Newcastle upon Tyne and Teesside offices do not at this time make any such charge to the insolvent estate for internal meeting room usage.
 - Car mileage is charged at the rate of 40 pence per mile.
 - Storage of books and records (when not chargeable as a *Category 1 expense*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates. The Newcastle upon Tyne and Teesside offices do not at this time make any such charge to the insolvent estate for the internal storage of books and records.
- *Expenses which should be treated as Category 2 disbursements (creditor approval is required)*

In addition to the 2 Categories referred to above best practice guidance indicates that where payments are made or are to be made to outside parties in which the office holder or his firm or any associate has an interest these payments should be treated as Category 2 disbursements.

Such Category 2 disbursements would for example include payments made to other entities within the Begbies Traynor Group (BTG) e.g. BTG Asset Consulting, BTG Corporate Finance, BTG Commercial Finance, BTG Tax, BTG Global Network (incorporating BTG Forensic, BTN Risk and BTG Intelligence).

BTG Asset Consulting, a division of BTG Consulting LLP which is itself part of BTG, charges £125 per hour for their advice regarding asset appraisal and disposal etc.

BTG Global Network provide a wide range of services, the most likely to be used in an insolvency procedure is in relation to enquiries and investigations into the location of assets or individuals surveillance and other investigative services, costs range from £100 to £250 per hour.

Where we have used or intend to use other entities within the Begbies Traynor Group that fact will be disclosed in the report to which this Appendix is attached or in future reports to creditors detailing the reasons for the instruction, the nature of the work undertaken, the basis of remuneration and the costs thereof.

The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*.

- Telephone and facsimile
- Printing and photocopying
- Stationery
- Postages

APPENDIX 3d

BEGBIES TRAYNOR (CENTRAL) LLP

CHARGE-OUT RATES

NEWCASTLE UPON TYNE AND TEESSIDE OFFICES

Begbies Traynor (Central) LLP is a national firm

The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions

The rates applying to the Newcastle upon Tyne and Teesside offices of Begbies Traynor (Central) LLP as at the date of the report to which this Appendix is attached are as follows

Grade of staff	Charge-out Rate (£ per hour)
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Junior Administrator	110
Support	110

The rates applying to the Newcastle upon Tyne and Teesside offices of Begbies Traynor (Central) LLP prior to 1 May 2011 are as follows

Grade of staff	Charge-out Rate (£ per hour)
Partner	350
Director	325
Senior Manager	295
Manager	250
Assistant Manager	195
Senior Administrator	160
Administrator	130
Junior Administrator	100
Support	100

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead

Only where a significant amount of time is spent at one time on a case is a charge made for support staff

Time is recorded in units of 0.10 of an hour (i.e. 6 minute units)

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Legal Fees	Dickinson Dees LLP	109,819 47	109,819 47	Nil
	Karslake Solicitors	400 00	400 00	Nil
Legal Disbursements	Dickinson Dees LLP	4351 00	4351 00	Nil
	Karslake Solicitors	2 00	2 00	Nil
Agent's Fees	Christie & Co	30,000 00	30,000 00	Nil
Non Domestic Rates	Scarborough Council	16,173 69	16,173 69	Nil
Property Insurance	Willis Limited	27,221 40	27,221 40	Nil
Statutory advertising	Courts Advertising	693 87	693 87	Nil
Electricity	Haven Power	5,534 46	5,534 46	Nil
Property Maintenance	Timpson Locksmith	133 70	133 70	Nil
	CM Aquatics	140 00	140 00	Nil
	Derwentside Property and Home Improvements	450 00	450 00	Nil
Energy Performance Certificates	Abode Chartered Surveyors	375 00	375 00	Nil
	Personal Touch Surveying	650 00	650 00	Nil
Pension Advice	Alexander Forbes	940 00	940 00	Nil
Bond	Willis Limited	528 00	528 00	Nil
Postage/Mail Redirection	Royal Mail	1,188 52	1,188 52	Nil
Photocopying	Alpha Graphics	416 12	416 12	Nil
Advertising	Courts Advertising	693 87	693 87	Nil
Other Property Maintenance	After Lock and Safe Limited	75 00	75 00	Nil
Companies House Search Fee	Companies House Direct	7 00	7 00	Nil
Swearing Fees	Beecham Peacock	10 00	10 00	Nil
Storage	Datasafe	263 23	263 23	Nil