

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company
SA Realisations Limited (Formerly
Shakeaway Ltd)

Company number
03803104

In the
High Court of Justice, Chancery
Division, Bristol

[full name of court]

Court case number
127 of 2011

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

I / We, (a) Julie Anne Palmer of Begbies Traynor (Central) LLP, 65 St Edmunds Church Street, Salisbury, Wiltshire SP1 1EF and Mark Robert Fry of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT

* Delete as applicable

attach a copy of our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) Insert date

(b) 10 March 2011

Signed

Joint Administrator

Dated

10 - 3 - 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 to searchers of the public record.

Begbies Traynor (Central) LLP

65 St Edmunds Church Street, Salisbury, Wiltshire SP1 1EF

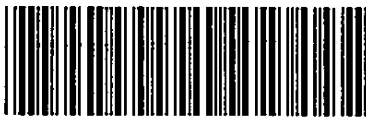
Tel 01722 435190

Fax Number 01722 421102

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

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COMPANIES HOUSE

Julie Anne Palmer and Mark Robert Fry were appointed as joint administrators on 14 February 2011

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

SA Realisations Limited (Formerly Shakeaway Ltd) (In Administration)

Statement of proposals of the joint administrators for achieving the purpose of the administration pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 2.33 of the Insolvency Rules 1986

Important Notice

The administrators' statement of proposals has been produced for the sole purpose of advising creditors pursuant to the provisions of the Insolvency Act 1986. 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. Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Contents

- Interpretation
- Statutory information
- Details of appointment of administrators
- Circumstances giving rise to the appointment of administrators
- Statement of affairs
- The administration period
- Estimated outcome for creditors
- The administrators' proposals for achieving the purpose of the administration
- The administrators' remuneration and disbursements
- Other information to assist creditors
- Conclusion
- Appendices
 - 1 Administrators' account of receipts and payments
 - 1 Statement of affairs
 - 2 Administrators' time costs and expenses

1 INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	SA Realisations Limited (Formerly Shakeaway Ltd) (In Administration)
"the administration"	The appointment of administrators under Schedule B1 of the Insolvency Act 1986 on 14 February 2011
"the administrators"	Julie Anne Palmer of Begbies Traynor (Central) LLP, 65 St Edmunds Church Street, Salisbury, Wiltshire, SP1 1EF and Mark Robert Fry of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"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(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), 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 (iii) 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. STATUTORY INFORMATION

Name of Company	SA Realisations Limited (Formerly Shakeaway Ltd)	
Trading name(s)	Shakeaway	
Date of Incorporation	08 July 1999	
Company registered number	03803104	
Company registered office	1000 Lakeside, North Harbour, Western Road, Portsmouth, PO6 3EZ	
Former registered office	7 Post Office Road, Bournemouth, BH1 1BB	
Trading address(es) (or attach a separate sheet if more than one)	7 Post Office Road, Bournemouth, BH1 1BB & Stores nationwide	
Principal business activities	Retail - Food and Drink	
Directors and details of shares held in the Company (if any)	Name	Shareholding
	Peter Robert Moody	Nil
	Robert Peter Hazell	Nil
Company Secretary and details of the shares held in Company (if any)	Name:	Shareholding
	Carole Tuck	Nil
Auditors	R&B Limited Meteor House, Whittle Road, Churchfield, Salisbury, SP2 7UW	
Share capital	992 Ordinary Shares	
Shareholders	Red Lightning Group Limited – the above directors being directors and shareholders of this company	

3 DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of the administrators	Julie Anne Palmer, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 65 St Edmunds Church Street, Salisbury, SP1 1EF and Mark Robert Fry, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT
Date of administrators' appointment	14 February 2011
Date of administrators' resignation	n/a
Court	High Court of Justice, Chancery Division, Bristol
Court Case Number	127 of 2011
Person(s) making appointment / application	Peter Robert Moody - Director
Acts of the administrators	The 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 Proceedings	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.

STATUTORY PURPOSE OF ADMINISTRATION

Paragraph 3 of Schedule B1 to the Act provides as follows

- "3 (1) The administrator of a company must perform his functions with the objective of-
- (a) rescuing the company as a going concern, or
 - (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
 - (c) realising property in order to make a distribution to one or more secured or preferential creditors
- (2) Subject to sub-paragraph (4), the administrator of a company must perform his functions in the interests of the company's creditors as a whole
- (3) The administrator must perform his functions with the objective specified in sub-paragraph (1)(a) unless he thinks either-
- (a) that it is not reasonably practicable to achieve that objective, or
 - (b) that the objective specified in sub-paragraph (1)(b) would achieve a better result for the company's creditors as a whole

- (4) The administrator may perform his functions with the objective specified in sub-paragraph (1)(c) only if-
- (a) he thinks that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph (1)(a) and (b), and
 - (b) he does not unnecessarily harm the interests of the creditors of the company as a whole "

4. CIRCUMSTANCES GIVING RISE TO THE APPOINTMENT OF ADMINISTRATORS

The Company's business comprised the retail sale of milkshakes nationwide and worldwide through stores and franchises. The business originated from a single site in Bournemouth which was run by a partnership whose members are the current directors. The Company was incorporated in July 1999 taking over the partnership business and continuing to operate the first outlet in Bournemouth. At the time of our appointment, the Company operated nationally from 32 of its own stores and a further 28 franchised stores and employed approximately 170 people. A connected company, Shakeaway Worldwide Limited, franchises the brand internationally.

The Company began to experience financial difficulties partly as a consequence of management having to take action in respect of trademark infringement. Management spent a great deal of time involved with the Court case and therefore away from the running of the business. This had an adverse impact on the Company's trading due to delayed planned openings of stores and franchises. The aggressive expansion over the last five years, taking advantage of rent-free and reduced rent periods where possible, committed the Company to substantial overheads, which in the economic downturn has proved to be an unsustainable financial model.

In addition, there was a decline in general trading and reduced management involvement due to ill health on the part of one of the directors.

As a result, with cash flow issues and landlord pressure that had been building, with bailiff visits occurring at various stores, the directors recognised the need to take action. Independent advisers and accountants were engaged to assist in planning a rationalisation of the business model. Efforts were also made to source alternative finance with a different bank or through a suitable equity investor.

If all due payments were made, the Company would have breached their overdraft facility. The insolvency of the company demonstrated by the inevitability of distraint or forfeiture by one of more landlord meant that the stores and the brand as a whole was threatened leaving the solvent sale of the Company as unlikely.

We were introduced to the Company by Princecroft Willis, a firm of Accountants who had been advising the Company. An initial advisory meeting was held with the directors on 21 December 2010 with formal engagement taking place on 18 January 2011.

A sale of the business needed to be concluded quickly to preserve the value of the business. With landlord pressure increasing and warrants being obtained for bailiffs to attend various sites, a Notice of Intention to Appoint an Administrator was filed with the consent of the qualifying floating charge holder, providing an interim moratorium over the company and allowing a short period to deal with a sale and all interested parties.

5. STATEMENT OF AFFAIRS

The directors' have not yet submitted a statement of affairs of the Company as at 14 February 2011 and the Statement of Affairs attached at Appendix 2 has been prepared by the administrators based on the information provided by the Company. The Statement of Affairs makes no provision for the costs of the administration or any subsequent liquidation or voluntary arrangement.

Our comments on the statement of affairs are as follows

ASSETS

Goodwill

The amount of £215,000 estimated to realise in the statement of affairs for goodwill relates to the business and brand.

Motor Vehicles

The Company had several cars on finance, including a Porsche Boxster and a Mercedes E320. It is our understanding that there is no equity in any of the vehicles.

Furniture & Equipment

It is estimated that the realisations for furniture and equipment will be £45,000.

Stock

The stock consisting of confectionary is estimated to a sum of £14,000.

Leasehold Improvements

The leasehold improvements made to the stores is estimated to realise nil.

Trade Debtors

The amount of £32,764 reflects outstanding franchisee fees.

Associated Company Debts

The sum of £138,614 is owed to the Company from SWL Realisations Ltd (formerly Shakeaway Worldwide Ltd) which is also in administration, and therefore the estimated to realise figure is nil.

Cash

The amount of £5,424 reflects the amount of cash collected from the closed stores on appointment.

6 THE ADMINISTRATION PERIOD

Receipts and Payments

Attached at Appendix 1 is our account of receipts and payments from the commencement of administration, 14 February 2011 to 08 March 2011.

As detailed below, the business was sold by way of a pre-packaged sale following our appointment on 14 February 2011 for a sum of £255,000 to SPN Acquisitions Limited. The sale proceeds were apportioned as follows

Goodwill	£190,000
Furniture & Equipment	£ 40,000
Stock	£ 20,000
Cash	£ 5,000

In addition, our agent is currently negotiating the disposal of assets from the closed stores which did not fall within the Sale Purchase Agreement to SPN Acquisitions Limited

Pre-packaged sale of the business and assets

Creditors of the Company have already been provided with information on the pre-packaged sale of the Company's business and assets by letter dated 15 February 2011

The information previously provided to creditors is as follows

INFORMATION ABOUT THE COMPANY AND THE PRE-PACKAGED SALE OF THE COMPANY'S ASSETS AND UNDERTAKING ON 14 FEBRUARY 2011

Background Information

The Company's business was selling milkshakes across the UK through stores and franchises. Shakeaway Limited was formed by the current directors in July 1999 when it opened its first milkshake outlet in Bournemouth. Up to October 2007 they had opened a further eight shops across the South of England. The tenth shop, in Winchester, was the first franchised operation. Presently, Shakeaway Limited operates nationally from thirty two of its own stores and also franchises its name to a further twenty eight bars. The Company employed approximately 170 people.

The reasons for the Company's insolvency

The Company began to experience financial difficulties partly as a consequence of management having to take action in respect of trade mark infringement. In June 2009 the High Court found in favour of Shakeaway Limited. There was an adverse impact on the Company's trading due to delayed planned openings of stores and franchises during the pre-summer period and decline in general trading due to lack of management involvement and the ill health on the part of one of the directors. Trading has also been impacted by the economic downturn.

As a result, the Company experienced creditor pressure consisting of December quarter day rents due and payable together with HMRC. If all due payments were made the Company would have breached the overdraft facility.

The Company was insolvent as they were unable to pay their debts as and when they fell due.

The reasons for the pre-packaged sale

Any sale of the business needed to be concluded quickly to preserve the value of the business. Landlord pressure was intense and warrants had been obtained for bailiffs to attend at various sites. The Notice of Intention to Appoint gave an interim moratorium over the company and that has given a short period in which to deal with a sale and all interested parties.

The alternative to a pre-packaged sale would be a trading administration or liquidation. No funds were available to the proposed administrators to undertake trading on of the company particularly with regard to the landlords and arrears of rent accruing. A liquidation of the company would result in a depletion of asset realisations with no value attributable to a going concern sale.

FURTHER INFORMATION IN RELATION TO THE PRE-PACKAGED SALE

Who was the source of Begbies Traynor (Central) LLP's initial introduction to the Company?

An introduction to the Company came by Mark Aitchison a partner in the firm Princecroft Willis, Accountants, who had been advising the Company with regard to a slimmed down business and plan with a view to re-banking. An initial general advisory meeting was held with the directors on 21 December 2010. A formal engagement letter was signed by the directors on 18 January 2011.

What was the extent of Julie Anne Palmer and Mark Robert Fry, and Begbies Traynor (Central) LLP's involvement with the Company before appointment?

An initial formal meeting with the directors of the Company, Peter Moody and Robert Hazell was held on 21 December 2010. The directors had advised us that there were two parties interested in investing in the Company with a view to restructuring. At this stage, the proposed administrators had been asked for general insolvency advice. They were provided with accounts information from the companies' accountants, Rawlence & Brown, together with an overview from Princecroft Willis of the required figures to be put together for a slimmed down business plan.

Prior to their appointment the proposed administrators advised the Company and not the directors on their personal position, the directors were encouraged to take independent advice.

Please note that negotiations with all interested parties and the ultimate Purchaser in relation to the pre-packaged sale were conducted by Julie Anne Palmer and Mark Robert Fry prior to their formal appointment as administrators and not by the directors of the Companies.

What marketing of the Company's undertaking and assets was undertaken by the Company?

At the time that the proposed administrators were approached to advise, the directors had met with a number of interested investors/purchasers. Various industry specialists had been engaged by them to assist in the process. The proposed administrators advised the directors that should they be engaged the proposed administrators would need to contact all parties who had expressed an interest in the business that the directors were aware.

What marketing of the Company's undertaking and assets was undertaken by Julie Anne Palmer and Mark Robert Fry?

Any formal marketing of the business would destroy the value. There was insufficient time to advertise the business for sale in a national newspaper.

The proposed administrators contacted all the parties who had indicated expressions of interest to the directors and used the internal corporate finance network to identify any potential purchasers. Confidentiality letters were sent out to seven parties and financial/operational information supplied. Meetings were held with four interested parties.

A further party then contacted the proposed administrators on 27 January 2011 who had made an offer to buy the assets of the Company in December. The proposed administrators had been unaware of this party and had accepted an offer from another party, subject to contract. All efforts were made to provide information to this party in order that a proper bid could be made. Any party had to complete swiftly.

The range of consideration offered was £200,000 to £405,000. The party who had made the highest offer subsequently withdrew.

Four parties withdrew without making an offer.

What valuations of the Company's undertaking and assets were obtained?

Edward Symmons, Valuers, were instructed to visit several stores to value the chattel assets, store fixtures and fittings and sundry equipment. The Valuers confirmed that such items only had a real value on a going concern in situ sale.

What alternative courses of action were considered by Julie Anne Palmer and Mark Robert Fry?

Due to the pressure from landlords as a result of unpaid rent, continued trading would require additional funding and that would not be forthcoming.

Liquidation would erode any goodwill value of the business and therefore also impact negatively on the value of the business and IPR.

A sale via a pre-pack Administration offers the best means to preserve and maximise value.

Why was it not appropriate to trade the business during the administration in order to offer it for sale as a going concern?

The business is heavily loss making based on current trading. Management had not been able to find an equity investor who would support the business based on its current structure. The business needed to be pared down to the profitable stores. Even on a pared down basis trading would require additional funding in administration to deal with landlord arrears and other creditors. The business also trades seasonally and this is the weakest point of the season.

What requests were made to potential funders to fund working capital requirements during the administration?

Discussions were held with possible equity investors. In addition, the directors had spoken with two other banks to try and re-bank the business and neither were willing to do so.

What consultations were made with major creditors?

Extensive consultations have taken place with the Company's bankers together with a number of landlords. Whilst detailed consultation with HMRC has not been appropriate we had notified them of the filing of the Notice of Intention to appoint and the likely sale through a pre-pack administration.

What was the date of the transaction?

14 February 2011

What were the assets sold and what was the nature of the transaction?

Assets sold comprise equipment, goodwill, IPR owned by the Company, Franchise agreement, promotional materials, leases, stock, cash and the trading name. Debtors are excluded from the sale.

What was the consideration for the sale, including payment terms, and other conditions of the contract that could materially affect the consideration?

The consideration for the sale of the Company's assets was £255,000 and was paid on completion.

Is the sale part of a wider transaction? If so a description of the other aspects of the transaction

The Buyer also bought assets comprising IPR that belonged to another company and consideration of £100,000 was paid for this. That sum does not, however, come to the Administrators of the Company.

Who was the purchaser?

SPN Acquisitions Limited

Is there a connection between the purchaser and the directors, shareholders or secured creditors of the Company?

This is a sale to an independent third party and the joint administrators are not aware of any connection between the purchaser and the directors, shareholders or secured creditors of the Company.

Are any directors, or former directors, of the Company involved in the management or ownership of the purchaser, or of any other entity into which any of the assets have been transferred? If so, who are they?

The joint administrators are not aware of the directors, or former directors of the Company being involved in the management of the purchaser or any other entity into which the assets have been transferred.

Had any directors of the Company given guarantees for amounts due from the Company to a prior financier? Is that financier financing the new business?

The directors have informed the joint administrators that two personal guarantees had been given to the prior financier and that that financier is not financing the new business.

What options, buy-back arrangements or similar conditions are attached to the contract of sale?

None

7 ESTIMATED OUTCOME FOR CREDITORS

The sums owed to creditors at the date of appointment as detailed in the statement of affairs are as follows:

Secured creditor

Royal Bank of Scotland Plc - £421,424
Debenture registered on 2 April 2006

Preferential creditors

Preferential claims of employees for arrears of wages, salary and holiday pay are now estimated at £25,570. This amount relates to staff made redundant from the part of the business not transferred to the Buyers for economic and operational reasons. A large number of the employees of the Company transferred to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Unsecured creditors

Unsecured creditors were estimated at £1,388,299.

Secured creditor

It is estimated that the total distribution to Royal Bank of Scotland plc will be £81,000

Preferential creditors

Based upon realisations to date and estimated future realisations, there will be insufficient funds available to enable a dividend to be paid to the preferential creditors

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where the company has created a floating charge on or after 15 September 2003, the administrator must make a *prescribed part* of the Company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the Company's net property. The *prescribed part of the Company's net property* is calculated by reference to a sliding scale as follows

- ☐ 50% of the first £10,000 of *net property*;
- ☐ 20% of *net property* thereafter;
- ☐ Up to a maximum amount to be made available of £600,000

An administrator will not be required to set aside the *prescribed part of net property* if

- ☐ the *net property* is less than £10,000 and the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit, (Section 176A(3)) or
- ☐ the administrator applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5))

The administrators do not anticipate that there will be a distribution of the prescribed part as the estimate of the prescribed part is less than the minimum prescribed by the Insolvency Act 1986 (Prescribed Part) Order 2003 and the administrators think, in accordance with Section 176A(3) of the Act, that the costs of distributing this amount would be disproportionate to the benefits to the unsecured creditors

Unsecured creditors

Based upon realisations to date and estimated future realisations there will be insufficient funds available to enable a dividend to be paid to the unsecured creditors

8. ADMINISTRATORS' PROPOSALS FOR ACHIEVING THE PURPOSE OF THE ADMINISTRATION

Purpose of the Administration

We are required to set out our proposals for achieving the purpose of the administration which in this context means one of the objectives specified in paragraph 3 of Schedule B1 to the Act as set out at section 3 of this report above

For the reasons set out in our report, we presently consider that it is not reasonably practicable to achieve either of the objectives specified in sub-paragraph 3(1)(a) and 3(1)(b), and consequently the most appropriate objective to pursue in this case is that specified in sub-paragraph 3(1)(c), namely realising property in order to make a distribution to one or more secured or preferential creditors. We furthermore

consider that pursuing this objective should not unnecessarily harm the interests of the creditors of the Company as a whole

The Company could not be rescued as a going concern, a number of the stores were loss making and the business needed to be pared down to the profitable stores. Management had not been able to find an equity investor who would support the business based on its current structure. Trading the business in administration would have required additional funding to deal with the landlord arrears and other creditors which was not available.

We consider that this objective has already largely been achieved. We believe that by selling the Company's business and assets as a pre-packaged sale as an alternative to an immediate cessation of trade and liquidation of the Company, we have significantly enhanced the prospects for the secured creditor.

In order that the purpose of the administration may be fully achieved, we propose to remain in office as administrators in order to conclude the realisation of the Company's property, collect book debts, deal with leasehold properties and complete our statutory obligations.

Following these events we propose to finalise distributions to the secured creditors.

Exit from Administration

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.

However, it may transpire that it is not possible to finalise the administration as envisaged within one year of the date of our appointment. Yet Paragraph 76 of Schedule B1 to the Act provides that the appointment of an administrator shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. However, the administrator's term of office may be extended either by court order for a specified period or by consent of the creditors for a specified period not exceeding six months. It may therefore become necessary at some future time for us to seek creditor consent to extending the period of the administration for up to a further six months following the anniversary of our appointment in order to ensure that the objective of the administration can be fully achieved.

If (whether or not an extension to the period of administration actually becomes necessary) it ultimately transpires that there are indeed surplus funds enabling a distribution to the unsecured creditors, then unless the court makes an order permitting such a distribution on our application, we will issue revised proposals for consideration by creditors dealing with the most appropriate exit strategy from the administration in those circumstances.

9. ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

Pre-administration costs

In the period before the Company entered administration, the administrators carried out work consisting of

Extensive meetings with management, the Bank, lawyers and a number of interested parties and prospective purchasers to ensure the purpose of the administration could be achieved and the Company be placed into administration -

- Trading on scenario and costs in administration with corresponding dangers and highlighting trading issues and pitfalls,
- Marketing of the business and assets,
- Dealing with IPR issues,
- Issues arising with leases, licenses, franchise agreements,
- Correspondence with agents, directors, Bank and interested parties,
- Meetings with solicitors, dealing with interested parties and negotiating with same regarding trading and sale issues,
- Searches, security reporting to the Bank and interested parties,
- Numerous conference calls with all parties, lengthy emails and briefings,
- Dealing with sale process and structuring sale agreement, competing offers, offer deadlines and extensions and the required briefings with stakeholders,
- Monitoring of trading and bank account up to appointment

The Work was carried out pursuant to an agreement made between the administrators and the Company's secured creditors and directors, entered into on various dates in January and February 2011 ("the Agreement"). The Agreement provides for payment of the administrators' fees and the discharge of expenses incurred by them ("the Pre-administration costs") in carrying out the Work.

The Work was carried out before the Company entered administration because a sale of the business needed to be concluded quickly to preserve the value of the business. Due to pressure from landlords for unpaid rent, it was not possible to trade the business in administration as significant funding would have been required, but was not available. For these reasons the administrators consider that the Work has furthered the achievement of the objective of administration being pursued, namely realising property in order to make a distribution to one or more secured or preferential creditors.

The Pre-administration costs are as follows

The administrators' fees are in the total sum of £98,423.58 and disbursements of £501.18 plus VAT and expenses incurred are as follows

Description of Expense	Amount £
Legal fees	£36,831.50 plus disbursements of £400 plus VAT

The Pre-administration costs detailed above are unpaid. The administrators are seeking that the costs be paid as an expense of the administration. Payment of the unpaid Pre-administration costs requires separate approval and is not part of the administrators' proposals subject to approval pursuant to Paragraph 53 of Schedule B1 to the Act.

Administrators' Remuneration

The administrators propose that the basis of their remuneration be fixed under Rule 2.106 of the Rules by reference to the time properly given by them (as administrators) and the various grades of their staff calculated at the prevailing hourly rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration.

These proposals contain a statement by the administrators, in accordance with paragraph 52(1)(b) of Schedule B1 to the Act, that they consider that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176A(2)(a) of the Act (the 'prescribed part' for unsecured creditors referred to at section 7). In these circumstances, it is for the secured creditor and the preferential creditors of the Company to determine the basis of the administrators' remuneration under Rule 2.106 of the Rules. In the absence of an initial meeting of creditors (see section 11 Conclusion, below) and the establishment of a creditors' committee, the administrators' remuneration is fixed by the approval of the secured and preferential creditors in accordance with Rule 2.106 (5A).

Appendix 3 sets out the administrators' firm's hourly charge out rates and the time that they and their staff have spent in attending to matters arising in the administration since 14 February 2011.

Administrators' disbursements

The administrators propose that disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9) be charged in accordance with their firm's policy, details of which are set out at Appendix 3. These disbursements will be identified by the administrators and subject to the approval of those responsible for determining the basis of the administrators' remuneration.

10 OTHER INFORMATION TO ASSIST CREDITORS

Report on the conduct of directors

The administrators have a statutory duty to investigate the conduct of the directors and any person they consider to be or have been a shadow or de facto director during the period of three years before the date of their appointment, in relation to their management of the affairs of the Company and the causes of its failure. The administrators are obliged to submit confidential reports to the Department for Business, Innovation and Skills.

Creditors who wish to draw any matters to the attention of the administrators' should write to them at their address detailed at Section 3 of this report.

The administrators have not been made aware of any sales of the Company's assets to connected parties.

11 CONCLUSION

The administrators presently consider that the Company has insufficient property to enable a distribution to be made to unsecured creditors (other than by virtue of Section 176A(2)(a)).

In these circumstances the obligation to summon an initial meeting of the Company's creditors to consider the administrators' proposals is disapplied by paragraph 52(1). The administrators are therefore not under a statutory obligation to summon such a meeting unless creditors, whose debts amount to at least 10% of the total debts of the Company, requisition such a meeting. Any such requisition must be in the prescribed manner in accordance with Rule 2.37 and be made within 8 business days of the date on which the administrators' statement of proposals is sent out. The expenses of summoning and holding a meeting at the request of a creditor shall be paid by that person, who shall deposit with the administrators security for their payment. If no such meeting is requisitioned, then by Rule 2.33(5), the administrators' proposals are deemed to have been approved by the creditors. Where the proposals are deemed to have been approved, we will write to you to confirm that is the position.

In the absence of an initial creditors' meeting we will report on progress again approximately six months after the commencement of the administration, or at the conclusion of the administration, whichever is the sooner.

J A Palmer
Joint Administrator



Date 08 March 2011

ADMINISTRATORS' ACCOUNT OF RECEIPTS AND PAYMENTS

14 February 2011 to 08 March 2011

S of A £		£	£
	SECURED ASSETS		
215,000 00	Goodwill	<u>190,000 00</u>	190,000 00
	SECURED CREDITORS		
(38,090 43)	Natwest Bank Plc	NIL	
(383,333 31)	Natwest Bank Plc (EFG Loan)	<u>NIL</u>	NIL
	HIRE PURCHASE		
Uncertain	Motor Vehicles	NIL	
(47,117 87)	Finance Companies	<u>NIL</u>	NIL
	ASSET REALISATIONS		
45,000 00	Furniture & Equipment	40,000 00	
14,000 00	Stock	20,000 00	
NIL	Leasehold improvements	NIL	
32,764 00	Trade Debtors	NIL	
2,000 00	Other Debtors	NIL	
NIL	Associated Company Debts	NIL	
5,424 00	Cash re closed stores	5,423 66	
	Cash on Site	<u>5,000 00</u>	70,423 66
	PREFERENTIAL CREDITORS		
(24,842)	RPO re Arrears/Holiday Pay	NIL	
(727 9)	Employees re Arrears/Hol Pay	<u>NIL</u>	NIL
	UNSECURED CREDITORS		
(1,203,288 58)	Trade Creditors	NIL	
(1,675 27)	Employees	NIL	
(29,544)	RPO	NIL	
(153,791 11)	HMRC (non VAT)	<u>NIL</u>	NIL
	DISTRIBUTIONS		
(992)	Ordinary Shareholders	<u>NIL</u>	NIL
(1,569,214 47)		<u><u>260,423 66</u></u>	
	REPRESENTED BY		
	Bank 1 Current	<u>260,423 66</u>	
		<u><u>260,423 66</u></u>	

APPENDIX 2

STATEMENT OF AFFAIRS AS AT 14 February 2011

	Book Value	Estimated to Realise	
	£	£	£
ASSETS			
Goodwill	1,500,000 00	215,000 00	
Natwest Bank Plc	(38,090 43)	(38 090 43)	
Natwest Bank Plc (EFG Loan)	(383,333 31)	(383,333 31)	
Deficiency c/d		(206,423 74)	
Motor Vehicles	55,558 00	Uncertain	
Finance Companies	(47,117 87)	(47,117 87)	
Deficiency c/d		(47,117 87)	
Furniture & Equipment	1,151,228 00		45,000 00
Stock	129,292 00		14,000 00
Leasehold improvements	53,857 00		NIL
Trade Debtors	317,370 00		32,764 00
Other Debtors	349,011 00		2,000 00
Associated Company Debts	138,614 00		NIL
Cash re closed stores	17,969 00		5,424 00
			99,188 00
LIABILITIES			
PREFERENTIAL CREDITORS -			
RPO re Arrears/Holiday Pay		24,842 00	
Employees re Arrears/Hol Pay		727 9	
			25,569 90
			73,618 10
DEBTS SECURED BY FLOATING CHARGE PRE 15 SEPTEMBER 2003			
OTHER PRE 15 SEPTEMBER 2003 FLOATING CHARGE			NIL
CREDITORS			73,618 10
Estimated prescribed part of net property where applicable (to carry forward)			NIL
			73,618 10
DEBTS SECURED BY FLOATING CHARGE POST 15 SEPTEMBER 2003			
Deficiency b/d		206,423 74	
			206,423 74
			(132,805 64)
Estimated prescribed part of net property where applicable (brought down)			NIL
			NIL
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)			
Deficiency b/d		47,117 87	
Trade Creditors		1,203,288 58	
Employees		1,675 27	
RPO		29,544 00	
HMRC (non VAT)		153,791 11	
			1,435,416 83
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F C's post 14 September 2003)			(1,435,416 83)
Shortfall in respect of F C's post 14 September 2003 (brought down)			132,805 64
			(1,568,222 47)
Issued and called up capital			
Ordinary Shareholders		992	
			992
TOTAL SURPLUS/(DEFICIENCY)			(1,569,214 47)

STATEMENT OF AFFAIRS

Notes to the Statement of Affairs

- 1 The goodwill of the Company is subject to a fixed charge granted in favour of Natwest Bank Plc. The name and type of security held by each charge holder indicated on the statement of affairs, is as follows

Debenture – Fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital buildings, fixtures and fittings and plant and machinery. Created on 02 April 2006 and registered 07 April 2006
- 2 The estimated to realise figure for trade debtors takes into account expected offsets to be claimed by franchisees in respect of rents paid to the company, some of which relates to future periods
- 3 The claims of the Department for Business, Innovation and Skills represent employees' estimated claims under The Employment Rights Act 1996 in respect of arrears of pay to a maximum of £800 per employee and holiday pay which are claimed preferentially, and pay in lieu of notice, redundancy pay and arrears of pay in excess of £800 which are non-preferential
- 4 Section 176A(2) of the Act requires the administrators to set aside the prescribed part of the Company's net property for the satisfaction of unsecured debts. "**Net property**" means the amount which would, if it were not for this provision, be available to floating charge holders (i.e. after accounting for preferential debts and the costs of realisation). The **prescribed part** is 50% of the first £10,000 and 20% of the remaining net property (up to a maximum of £600,000)

The administrator will not be required to set aside the prescribed part of net property if
 - a The net property is less than £10,000 and he thinks that the cost of distributing the prescribed part would be disproportionate to the benefit,
 - b Or if the net property is more than £10,000, if the provision is disapplied by the court on the application of the administrator on cost-benefit grounds
- 5 The claim of HM Revenue & Customs represents outstanding PAYE and NIC
- 6 The indebtedness to Natwest Bank Plc is supported by a personal guarantee from Mr Peter Moody and Robert Hazell and is limited to the amount of the overdraft and £125,000 in respect of the EFG loan
- 7 Creditors' claims are subject to agreement and will not be prejudiced by omission from the Statement of Affairs or by inclusion in a different amount from that claimed
- 8 The estimated total deficiency, including the calculation of the prescribed part of the Company's net property, is subject to the costs of administration and distribution for which no provision is made in the statement of affairs

ADMINISTRATORS' TIME COSTS AND EXPENSES

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.

Total time spent to 08 March 2011 on this assignment amounts to 231 hours at an average composite rate of £195.69 per hour resulting in total time costs to 08 March 2011 of £45,204.

To assist creditors in determining this matter, the following further information on time costs and expenses are set out:

- ☐ Begbies Traynor (Central) LLP's policy for re-charging expenses
- ☐ Begbies Traynor (Central) LLP's charge-out rates
- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value

In addition, a copy of *A Creditors' Guide to Administrators' Fees* is available on request. Alternatively, the guide can be downloaded from our website www.begbies-traynor.com via the "Corporate Recovery and Insolvency" link in the "Quick Links" box on the left hand side of the homepage. From there please follow the "Creditor" link which will take you to the appropriate page where the Guide can be found at the end.

BEGBIES TRAYNOR CHARGING POLICY

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.

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 at the individual's hourly rate in force at that time which is detailed below

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

Best practice guidance classifies expenses into two broad categories

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred
- *Category 2 disbursements (approval 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

(A) The following items of expenditure are charged to the case (subject to approval)

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 per meeting,
- Car mileage is charged at the rate of 40 pence per mile
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) 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,

(B) 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

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor 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 Salisbury/Portsmouth office as at the date of this report are as follows

	Standard 1 July 2008 – until further notice Regional
Partner 1	395
Partner 2	350
Director	325
Senior Manager	295
Manager	250
Assistant Manager	195
Senior Administrator	160
Administrator	130
Trainee 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 6 minute units.

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME	SA Realisations Limited (Formerly Shakeaway Ltd)
CASE TYPE	ADMINISTRATION
OFFICE HOLDERS	Julie Anne Palmer AND Mark Robert Fry
DATE OF APPOINTMENT	14 February 2011

1 CASE OVERVIEW

1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case.

1.2 Complexity of the case

This has been a complex case due to the pre-packaged sale and dealing with the number of stores and associated problems - mainly landlord queries regarding the leasehold and rent.

1.3 Exceptional responsibilities

If the transaction had not proceeded there was a very high chance that realisations would have been negligible.

1.4 The office holders' effectiveness

The purpose of the administration has been achieved. The sale of the business and assets by way of a pre-packaged sale, will allow a distribution to the secured creditor.

1.5 Nature and value of property dealt with by the office holders

The business and assets were sold for a sum of £255,000 as detailed in the body of the report.

1.6 Anticipated return to creditors

A distribution will be made to the secured creditor under their fixed charge, however it is estimated that funds will be insufficient to allow a distribution to preferential or unsecured creditors.

1.7 Time costs analysis

An analysis of time costs incurred between 14 February 2011 and 4 March 2011 prepared in accordance with Statement of Insolvency Practice 9 is attached showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type.

The time costs analysis provides details of work undertaken by the office holders and their staff following their appointment only.

1 8 The views of the creditors

Following our appointment and completion of the sale an initial letter detailing same was sent to all known creditors on 15 February 2011 in accordance with the provisions of SIP16. The secured creditor was consulted prior to appointment and the joint administrators acted in accordance with their views.

1 9 Approval of fees

No resolutions have yet been agreed. It is intended to seek approval from the secured and preferential creditors for the joint administrators' pre-appointment fees to be paid together with the joint administrators ongoing fees on a time cost basis.

1 10 Approval of Expenses and Disbursements

The joint administrators propose that disbursements be charged in accordance with their firm's policy, details of which are set out at Appendix 3. It is intended to seek approval from the secured and preferential creditors for the joint administrators' pre-appointment expenses and disbursements to be paid together with the joint administrators ongoing expenses.

1 11 Other professionals employed & their costs

Agents and solicitors were chosen based on their expertise in the field and their presence on the bank's panel of professionals.

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

2 1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached at Appendix 3.

2 2 The rates charged by the various grades of staff who may work on a case are attached at Appendix 3.

3. SUMMARY OF WORK CARRIED OUT SINCE APPOINTMENT

Since appointment, the following work has been carried out:

- Liaising with the directors and completing statutory post sale tasks
- Reporting to creditors in accordance with current legislation
- Preparing the joint administrators' proposals for circulation
- Dealing with employee claims
- Liaising with agents regarding sale of assets from closed stores
- Dealing with creditor queries, including landlords and agents

SA Realisations Limited (formerly Shakeaway Limited)
Time costs analysis for the period from 14 February 2011 to 08 March 2011

411